FINANCIAL TIMES

Economic progress

The key role of individual rights

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Balanced by printing money

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World Business Newspaper http://www.FT.com THURSDAY JANUARY 30 1997

The FT at Davos

WORLD ECONOMIC FORUM

● *Today*, leaders from government, business and the academic world gather in Davos, Switzerland for the annual meeting of the World Economic Forum. Starting in tomorrow's FT, a special daily half page of news and analysis from this important summit.

Albania to help poorest victims of fund schemes

Albania's President Sali Berisha risked a renewal of street demonstrations in announcing that only the poorest investors would receive cash payments immediately from two get-rich-quick funds frozen by the government. Most investors would merely get account statements from the suspected pyramid schemes. Page 16

Iveco, the commercial vehicles arm of Italy's Fiat group, will next month announce the closure of its Langley truck plant near Slough in southern England with the loss of about 500 jobs. Page 11

France fines Coke: French competition authorities fined Coca-Cola FFr10m ($1.8m) for abusing its dominant position in the market with rebates and other schemes. It was a partial victory for rival Orangina, which also sought to recoup legal costs. Page 3

Stora, the Swedish forestry group, highlighted the downturn in the European pulp and paper industry by unveiling a 71 per cent fall in 1996 earnings. Page 17

Michelin, Europe's biggest tyre maker, is considering whether to join a growing group of French companies with a US stock exchange listing. Page 17

Skills passport proposed: A Labour government in Britain would help promote flexibility in the EU job markets by giving Britons a "Euro skills passport" to explain UK training qualifications to potential employers across Europe. Page 11

Summit sought on hostage strategy:

Japanese prime minister Ryutaro Hashimoto said he planned to hold a weekend summit meeting in Toronto with Peruvian President Alberto Fujimori, left, to discuss his concerns about how Peru is handling a standoff with leftwing rebels holding 72 hostages at the home of Japan's ambassador. There had been expressions of Japanese concern that Mr Fujimori was taking chances by stepping up psychological pressure on the hostage-takers. Page 4

New York warns Swiss over fund: New York city and state sent warnings to Switzerland that they would make it difficult for Swiss banks to do business in New York unless the Swiss created a fund to compensate Holocaust victims. Page 4

Move on Argentine airline: VASP, the private Brazilian airline, is interested in buying a controlling stake in Aerolineas Argentinas, in a deal which could create the largest carrier in South America. Analysts believe it is prepared to pay at least $300m for a controlling stake. Page 17

Castro spurns US 'help': Cuban President Fidel Castro angrily denounced as "Machiavellian" a US offer to help the island with aid, loans and investment if it embraced multi-party democracy. He said his country's "freedom and dignity" could not be bought. Page 4

Bullying on the rise: The Tokyo Managers Union may reopen a hotline for victims of demotions, insults and physical harassment by superiors in the workplace. Nearly 2,000 office workers reported corporate bullying in a trial programme. Page 16

Doubt over Bulgarian debt: Bulgaria may have to default on its debt repayments later this year unless it receives much-needed help with its strapped economy, President Petar Stoyanov told a Nato meeting.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6697.25	(+41.17)
NASDAQ Composite	1356.95	(+2.58)
Europe and Far East		
CAC40	2465.01	(-17.75)
DAX	2999.26	(+9.87)
FTSE 100	4207.5	(-29.9)
Nikkei	18335.30	(+538.73)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{7}{16}$%
3-mth Treas Bills: Yld	5.166%
Long Bond	$95\frac{1}{32}$
Yield	6.889%

■ OTHER RATES

UK: 3-mo Interbank	$6\frac{1}{4}$%	(same)
UK: 10 yr Gilt	$99\frac{23}{32}$	$(100\frac{5}{16})$
France: 10 yr OAT	106.31	(106.67)
Germany: 10 yr Bund	101.33	(101.72)
Japan: 10 yr JGB	104.2184	(104.4834)

■ NORTH SEA OIL (Argus)

Brent Dated	$23.00	(22.6)

■ GOLD

New York: Comex		
(Feb)	$351.8	(354.0)
London:		
close	$350.7	(353.15)

■ DOLLAR

New York: lunchtime		
£	1.6223	
DM	1.64145	
FFr	5.537	
SFr	1.426	
Y	121.845	
London:		
£	1.6194	(1.61)
DM	1.6436	(1.6511)
FFr	5.5445	(5.57)
SFr	1.4237	(1.4295)
Y	121.905	(121.15)
Tokyo close:	Y 121.5	

■ STERLING

DM	2.6615	(2.6583)

9 770174 736142 05

Extent of global gold market revealed

London clears 930 tonnes of bullion each day

By Kenneth Gooding, Mining Correspondent

Deals involving about 30m troy ounces, or 930 tonnes, of gold valued at more than $10bn are cleared every working day in London, the international settlement centre for gold bullion.

This is the first authoritative indication of the size of the global gold market, and was revealed yesterday by the London Bullion Market Association.

With the blessing of the Bank of England, the association overturned years of tradition and secrecy to provide statistics illustrating the size and depth of the London market.

The volume of gold cleared every day in London represented nearly twice the production from South African mines in a year, Mr Alan Baker, chairman of the association, pointed out.

Global bullion market ......Page 28

It was also equivalent to the amount of gold held in the reserves of European Union central banks.

The size of the gold market will surprise many observers, but traders insisted the association's statistics were only part of the picture because matched orders are cleared without appearing in the statistics. Mr Jeffrey Rhodes, of Standard Bank, London, said the 30m ounces should be "multiplied by three, and possibly five, to give the full scope of the global market".

Mr Baker said the association would produce average daily clearance figures every month. "They will provide a useful benchmark for comparison and analysis of trends in the volume of the global bullion business," he predicted.

He denied suggestions that the move might drive business away from London by upsetting clients who preferred secrecy. "These figures do not in any way affect the confidentiality of the market. While discretion and integrity will always be bywords in the London bullion market, the LBMA is nevertheless conscious of the general call for greater transparency in markets.

"The statistics demonstrate the prominence of London in the world of bullion, something we have long been aware of but which until now has been difficult to demonstrate with statistics."

LBMA members were divided over the move. One said he was puzzled. "What will people make of it?" Another said the exercise was "futile" because it did not give a complete picture of bullion market activity.

But Standard Bank's Mr Rhodes suggested the statistics would "become the key indicator in the world of gold, providing the numbers by which the market can be monitored".

Mr Martin Stokes, vice-chairman of the association, said: "This shows we have a serious market with a lot of depth and deserving of more attention." The statistics showed, for example, that the 300 tonnes of gold sold recently by the Dutch central bank – a disposal that badly affected bullion market sentiment – was not a large amount by the market's standards. The association was "making a bid to attract investors' interest".

The association also gave details yesterday about the silver market. Roughly 250m ounces of silver valued at more than $1bn are cleared daily in London.

It also published the results of a Bank of England survey of turnover that the 14 market-making members of the LBMA in the London bullion market conducted in May last year. This showed about 7m ounces of gold, worth nearly $3bn, was traded daily by these market-makers.

Commodities, Page 28

In the running: Benazir Bhutto at her Karachi home yesterday where she said that her Pakistan People's party could win Monday's elections, despite a court setback Report, Page 16 Reuters

Toyota chief warns over UK's position on Emu

By Stefan Wagstyl in London

Mr Hiroshi Okuda, president of Toyota Motor, the Japanese car maker, warned yesterday that the company's European investment strategy might change if the UK stayed out of European monetary union.

Asked if this meant Toyota would decrease investments in the UK, he said: "Rather than decreasing the amount, we will leave investments as they are now. But if we were to make fresh investments, we would prefer to make them in continental Europe rather than Britain."

However, casting doubts about the exact role of Emu in the company's strategy, he also said Toyota would spread its investments to other European countries whether or not the UK joined. He said: "Regardless of whether Britain joins [the EMU], I have a feeling that it would be excessive if we made additional [investments] in Britain."

So far, Toyota plant investments in Europe have been made only in the UK. It has a £700m plant making the Carina E midsize saloon and last year announced plans to build the Corolla there and hire an extra 1,000 staff on top of the 2,500 already employed.

While doubts surrounded the meaning of Mr Okuda's remarks, his comments caused uproar in the UK parliament with Labour and Conservative Euro-enthusiasts and Euro-sceptics trading blows about the possible effect of the government's European policies

Continued on Page 16
Iveco to close truck assembly unit, Page 11; Lex, Page 16

Olivetti estimates pre-tax losses at $516m

By Paul Betts in Milan

Olivetti, the struggling Italian information technology group, yesterday estimated its pre-tax losses for last year at about L800bn ($516m), but claimed it was facing a more stable future.

The losses reflect a year in which the group was shaken by boardroom and shareholder turmoil that led to the resignation of Mr Carlo De Benedetti, its chairman.

The turbulence hit sales in the second half of last year. Consolidated turnover, which fell 16 per cent to L8,270bn ($5.3bn) for the whole of 1996, dropped by a sharper 21 per cent to L4,045bn in the second half.

But after a board meeting reviewed the preliminary 1996 consolidated results, the company emphasised a substantial improvement in its financial situation since the appointment of a management led by Mr Roberto Colaninno, the chief executive who took charge in September.

Net financial requirements were reduced from L3,059bn at the end of August to L2,250bn at the end of December.

Disposals, including an 8.26 per cent stake in the Omnitel cellular telephone company and Olivetti's US venture capital stakes, raised L531bn in December. The company has now agreed to sell its troubled personal computer operations for between L250bn-L300bn to a group led by Mr Edward Gottesman, the London-based US lawyer, which will be reflected in its 1997 results.

Mr Colaninno confirmed Olivetti's strategy to focus on telecommunications, information technology solutions and services, and office products.

With Omnitel it is expanding in the cellular telephone market and with its Infostrada venture it intends to compete in the fixed-line telephone market. Although Omnitel accounted for about L200bn of Olivetti's overall L800bn consolidated loss last

Continued on Page 16

Investments by activists drive up Dow Jones shares

By Richard Waters in New York

Two US shareholder activists yesterday urged Dow Jones, the US business information group, to abandon plans to invest $650m in its troubled Telerate on-line information service.

News that the two, Mr Michael Price and Mr James Cromer, had taken stakes in Dow Jones, publisher of the Wall Street Journal, prompted a rise of $\$2\frac{5}{8}$, or 7 per cent, in the company's shares yesterday morning to $\$37\frac{5}{8}$.

Mr Price, a mutual fund manager, said of the company's investment plans, announced last week: "We're hoping the board ... reconsiders the advisability of investing so much money in what has been a very trying business." A fund run by Mr Price, credited with having nudged Chase Manhattan into a merger with Chemical Banking two years ago, owns more than 3 per cent of the company's stock. Mr Cramer, a fund manager with more than 1 per cent of Dow Jones shares, said the company should plough its limited resources instead into the Wall Street Journal.

Both investors said yesterday that they bought their stakes after reading an article this month in Fortune magazine, which pointed to unhappiness on the part of two members of the family that controls Dow Jones over the poor performance of its shares.

That news fuelled expectations on Wall Street of a shift in strategy, including a reconsideration of Telerate's future, and greater attention to shareholder value. By approving management plans to invest heavily in the on-line news and market data service, though, the family-controlled board last week demonstrated its backing of the strategy.

Dow Jones bought Telerate for $1.6bn in the late 1980s, paying in instalments. The service's technology has been overtaken by rivals such as Bloomberg and it has failed to dent Reuters' dominance of information on foreign exchange markets.

Mr Price and Mr Cramer acknowledged that they had little direct influence over Dow Jones' strategy, particularly since members of the Bancroft family control around 70 per cent of the votes.

However, their comments, together with concerns expressed privately by some other big institutional shareholders in recent days, will add to the pressure on Mr Kann to reconsider Telerate's future. A number of Dow Jones board seats are about to be vacated, raising the prospect of a shift in the balance of power.

Mr Price and Mr Cramer said they believed Dow Jones should form a partnership with another company under which Telerate would remain a content provider but give up the job of distributing its services. That would allow Dow Jones to keep a stake in the business while investing far less of its own cash.

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Commission does not 'expect any rows' during investigation of $20bn merger plan

Brussels to probe BT-MCI deal

By Emma Tucker in Brussels and Alan Cane in London

The European Commission is unlikely to raise any serious objections to the merger between British Telecommunications, the UK telecom company, and MCI, the US long-distance carrier, but is expected to open a full-scale investigation into the $20bn deal today.

Commission sources said yesterday there was "every chance" that a detailed probe, lasting four months, would be launched. "I do not think there will be any great rows but there are issues to be looked at," said a senior Commission official.

Separately, Mr Don Cruickshank, the UK telecoms regulator, said the merger would be "an entirely desirable development". But he warned he would have to be assured BT's overseas ambitions did not detract from its responsibilities to UK customers.

Giving evidence before a House of Commons committee investigating regulation in the UK industry, he noted that Concert, as the merged company would be named, would have to be set up in such a way that it was answerable to him for its activities. If he felt he needed additional assurance, he would seek to modify BT's licence.

Competitors of the merging companies have mounted an intensive lobbying campaign in Brussels during the Commission's initial one-month investigation of the merger. They have urged the competition authorities in Brussels to consider whether further liberalisation of the UK telecoms market should be demanded as a precondition to the planned merger.

The main complaint from AT&T, the US's largest telecoms operator, is that customers of foreign operators in the UK have to dial a prefix code to get access to their networks, a cumbersome procedure which they say is anti-competitive.

However, legal experts suggest the Commission opened the second stage investigation more because it needed longer than one month to examine such a big deal, than because it had serious doubts about the threat posed to competition.

"We are not really picking up any negative vibes about the merger but if it does go to a phase two inquiry it will be because it is big and a lot of people have made comments about it," said a BT representative in Brussels.

Complaints have also come from telephone operators in France and Germany, as well as several US regional operators, who contend that the Commission should attach conditions to approval of the deal. Talks are continuing between the merging parties and the Federal Communications Commission, the principal US regulatory body for the communications business. Negotiations are expected to last at least until the autumn.

The FCC is chiefly seeking evidence that the UK telecoms market is at least as open as in the US.

Reuter's news agency reported yesterday that in order to win regulatory approval BT was considering lowering the transit charges it imposed on AT&T for transporting calls from the coast to AT&T's network in cities.

Brittan blocks EU rules on waste

By Caroline Southey in Brussels

Sir Leon Brittan, the European Union's chief trade negotiator, is blocking plans for tough new rules on waste management under which EU countries would be forced to incinerate rubbish or introduce strict regimes for sorting household waste.

Sir Leon vehemently opposes part of a planned directive on the management of landfill sites being tabled by Ms Ritt Bjerregaard, commissioner for the environment.

The aim of the proposal is to protect the environment against damage from landfill sites by imposing limits on the amount of organic waste, such as wood, paper and household rubbish, that can be dumped.

Sir Leon's opposition is focused on plans to impose a weight limit of 20 per cent on the amount of organic waste that can be dumped.

The limit could only be met if countries organised separate collections of organic waste and set up sophisticated recovery and recycling regimes. Alternately, countries would have to incinerate the vast bulk of waste.

Ms Bjerregaard's proposal to limit organic waste is part of a wider campaign to limit emissions of gases which damage the atmosphere and environment.

Proposal aims to protect the environment by imposing limits on the amount of organic waste dumped in landfill sites

She claims that waste, particularly rubbish in landfill sites, accounts for 32 per cent of methane gas production and that methane is the second biggest contributor to global warming after carbon dioxide.

Countries likely to be hardest hit by the plan are the UK, Spain, Portugal, Ireland, Italy and Greece, which have traditionally relied on landfill sites for waste disposal.

The majority of northern member states, including Germany, Sweden, Denmark and the Netherlands, already have extensive incineration programmes or sorting and recycling systems.

Sir Leon, who is expected to gain support from other commissioners when the plan is put to them, believes that the proposal has not been properly costed and that financial burdens would be imposed on some member states.

British officials estimate that the cost of overhauling waste management in the UK could be as high as £5bn ($8.35bn).

The proposals are also opposed by Unice, the European employers' federation. "It would be costly and impossible to control. No thought has been given to alternative outlets for the waste. It will simply be dumped in the dead of night in forests, the sea or rivers," said Mr Benny Hasenson, environmental adviser to the Confederation of Finnish Industries.

But Ms Bjerregaard's aides dismiss the criticisms. "The trend in the EU is away from organic waste in landfill sites. It's nonsense to suggest there are no alternatives," an EU official said.

The official cited precedents in other member states such as Germany, where targets have been set on reducing organic waste in sites from 10 per cent to 1 per cent and France where household waste will be banned from landfill sites by 2002.

The official admitted that some countries would be forced to invest heavily in incineration plants and collection systems.

However, he added, this had to be weighed against benefits which included cutting the cost of eradicating air, land and water pollution caused by landfill sites.

The proposals are due to be discussed by senior commission officials early next week before being put to a meeting of all the Commissioners.

Germany and Italy fined for abuses

By Emma Tucker in Brussels

Germany and Italy face stinging fines for ignoring rulings from the European Court of Justice over breaches of European Union environmental legislation.

The European Commission has recommended that Germany pay fines of Ecu26,400 ($31,420), Ecu264,000 and Ecu158,400 for each day it continues to infringe environmental laws related to the protection of wild birds, groundwater and surface water. Italy will pay daily fines of Ecu123,900 and Ecu159,300 for failure to comply with legislation on waste and radiation protection.

This is the first time the Commission has used new powers, granted under the Maastricht treaty, which allow it to ask the Court of Justice to impose financial penalties on member states that defy rulings.

Its decision to press ahead with the fines reflects the Commission's new priority of policing laws already in place rather than producing new legislative proposals. "We think it is extremely important that member states abide by the legislation adopted in the EU," said a Commission official. "We were very pleased that the Maastricht treaty gave us the right to impose fines."

The fines are based on a formula which starts with a flat rate of Ecu500 for all member states. This is multiplied by factors designed to reflect the gravity of the infringement, the population of the member state and its voting weight in the Council of Ministers.

The cases are the first of 17 potential abuses which the Commission intends to fine. Other countries targeted include Belgium for four violations, France for six and Greece and Luxembourg for one each.

The Commission also sought yesterday to prevent countries from using domestic environmental taxes and charges to block the circulation of goods from other member states by publishing guidelines clarifying how such taxes can be compatible with the single market.

A number of countries, especially the Nordic member states and Germany, have been criticised by the Commission for imposing environmental levies that act as a barrier to trade.

The Commission reckons there is considerable room for member states to act on environmental issues via taxation without violating the single market.

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Turkey seeks support in drive for EU admission

If plea is stalled, Ankara may block plans for Nato expansion

By Robert Graham in Rome

Turkey will present a fresh request to join the European Union at the Amsterdam summit in June, in an attempt to provide fresh impetus for the country's long-standing claim to membership.

The move was announced by Ms Tansu Çiller, Turkish foreign minister, following a meeting in Rome yesterday of the "5+1", the EU's informal contact with Turkey composed of the foreign ministers of Britain, France, Germany, Italy and Spain.

She said she had sought the five's support for this renewed request, and insisted at a press conference that "Turkey could not be excluded from the expanding map of Europe".

With an eye on her domestic audience demanding an increasingly nationalistic foreign policy, Ms Çiller repeated previous threats to link EU membership to the issue of eastwards expansion of Nato.

Turkey, she said, was prepared to block extension of Nato to include former east European communist countries if progress on EU membership remained stalled.

The EU has imposed a freeze on discussions of Turkey's membership since 1989, following concern over the country's human rights record.

Yesterday's meeting was the third of the "5+1" group, which was set up in 1995 to create an informal framework for improving the strained relationship between the EU and Turkey.

Three Turkish navy ships left the port of Famagusta in northern Cyprus yesterday after a five-day visit to show Ankara's solidarity with Turkish Cypriots. The move follows the Greek Cypriot government's decision to purchase anti-aircraft missiles from Russia *Reuter*

Foreign ministers, in their public comments yesterday, were careful to encourage Turkey and to lower the temperature, in the light of the latest sabre-rattling over Cyprus that saw the despatch of a small Turkish flotilla to the island in response to the Greek Cypriot community's decision to buy Russian missiles.

But they made it clear several key issues still impeded improvement in ties and a more rapid resolution of the EU membership request.

Mr Lamberto Dini, Italian foreign minister, listed three main obstacles: insufficient progress on the country's human rights record, the Kurdish problem, also linked to human rights, and relations with Greece.

Mr Malcolm Rifkind, British foreign secretary, said there had been some improvement on human rights but "there was still room for more progress".

Italy's centre-left government appears keen to raise the profile of its relations with Ankara to exploit commercial opportunities. This involves a delicate balancing act with Greece.

Mr Dini observed yesterday that Greece could exercise its veto against Turkey's EU membership "within certain limits"; but this could not be extended to blocking pre-negotiations or discussions which sought to improve relations.

Brother of Berlusconi cleared of blackmail

By Robert Graham in Rome

Mr Paolo Berlusconi, younger brother of former premier Silvio Berlusconi, was cleared yesterday of charges of blackmailing Mr Antonio Di Pietro in 1994 while the latter was spearheading Italy's anti-corruption campaign.

The court, in Brescia, north Italy, also cleared Mr Cesare Previti, defence minister in the Berlusconi government of 1994, and two senior justice ministry officials of the same charge.

The case had been prompted by suspicions that Mr Di Pietro had been forced to resign from the magistrature in December 1994 because figures close to the Berlusconi government had compiled compromising dossiers on him.

The decision should boost the image of Mr Silvio Berlusconi but could damage the position of Mr Di Pietro, seen as one of the country's most popular figures by public opinion polls. Mr Di Pietro was a civil party to the case with the intention of seeking redress if blackmail were proven.

He was forced to resign as public works minister in the centre-left government last November to defend himself against allegations of abuse of office while an investigative magistrate in Milan.

The prosecution claimed that during 1994 Mr Paolo Berlusconi and Mr Previti helped to orchestrate a campaign against Mr Di Pietro following the latter's decision to investigate Mr Silvio Berlusconi for alleged corruption while running his Fininvest business empire. The anti-Di Pietro dossiers included evidence that he had been lent L100m ($63,000) for a house purchase by a Milan businessman involved in a big insurance fraud.

The businessman also lent L20m to the magistrate to obtain a second-hand Mercedes, which Mr Di Pietro quickly sold on.

Shortly after these dossiers began circulating a justice ministry inspection began on Mr Di Pietro. The inspection was dropped the moment Mr Di Pietro resigned as a magistrate. Mr Di Pietro has never fully explained why he chose to leave the magistrature at the height of his fame.

The trial reflected the divisions within the judiciary. Half-way through Mr Fabio Salamone was dismissed as chief prosecutor because he was found to harbour a grudge against Mr Di Pietro.

Spain in digital TV crackdown

By Tom Burns in Madrid

The Spanish government will block reception of the opening broadcasts of the country's first digital television service because it fears Canal Satelite Digital could establish a virtual monopoly of the new market.

Grupo Prisa, Spain's leading media group, launches the first domestic digital television service today in association with Canal Plus of France but the government will block the sale of its decoders under regulations it will introduce tomorrow.

In what has become an increasingly heated political row, Mr Rafael Arias-Salgado, minister of development with responsibility for telecommunications, yesterday rejected accusations by the new broadcaster that the government was abusing its power in order to favour a rival service which it backs and is scheduled to start in March.

"All we are doing is insisting on compatible decoders in order to prevent the segmentation of the digital market," Mr Arias-Salgado said.

"Friday's regulations will implement European Union directives to ensure choice for viewers and free competition for programmers," he added.

Mr Arias-Salgado claimed that unless there was standardisation of the unscrambling device, or decoder, attached to a television set in order to receive the package of channels beamed by a broadcaster, Canal Satelite Digital could establish an effective monopoly over the pay-per-view business in Spain.

Prisa's chief executive, Mr Juan Luis Cebrián, said the government's move was blatantly interventionist, "illegal and possibly unconstitutional".

The media group's digital TV unit, Canal Satelite Digital, which will broadcast from Luxembourg and use France's Astra satellite, yesterday challenged the regulations before the council of state, the government's consultative body on legislation.

It said the rules undermined freedom of expression and the free market.

Canal Satelite Digital is seeking 200,000 subscribers by the end of the year and alleges that the government has hurriedly put together regulatory obstacles in order to level the pay-TV playing field for DTS Distribuidora de Televisión Digital, a consortium that has Telefónica, the domestic telecoms operator which will be fully privatised next month, as its major shareholder.

The DTS consortium plans to use Hispasat, Spain's state-owned satellite, and it brings together the debt-burdened state television network and Mexico's Televisa broadcaster as principal programmers in what officials say will be a digital service aimed at the global hispanic market.

It is backed by domestic newspapers and radio stations which support the centre-right government and also by Grupo Recoletos, a media company owned by Pearson, publisher of the Financial Times.

Canal Satelite Digital stole a march on DTS late last year when it formed a a partnership with Antena Tres, a commercial station that owns the the rights to televise most of Spain top football matches – a premium property in the pay-TV business.

Antena Tres had previously backed the Telefónica-led consortium.

EUROPEAN NEWS DIGEST

Chechen in Russia threat

The difficulty Mr Aslan Maskhadov will have in establishing his authority as newly-elected president of Chechnya was highlighted yesterday as a senior rebel commander vowed to continue guerrilla attacks against Russia. Mr Salman Raduyev, who last year led a hostage-taking raid in Russia which resulted in a bloody shoot-out with federal troops, told Reuter: "At least three Russian cities must be burned to cinders. We are working on a major operation codenamed Ash."

Chechnya's central electoral commission confirmed Mr Maskhadov had won Monday's elections with 64.8 per cent of the vote compared with 22.7 per cent for Mr Shamil Basayev, who said he would abandon politics. Moscow officials continued to praise Mr Maskhadov as a pragmatic politician who could cement peace. But a suggestion that he might sit with other regional leaders in the upper house of Russia's parliament received short shrift from Chechen officials. *John Thornhill, Moscow*

Editorial comment, Page 15

Brussels retreats on pollution

The European Commission yesterday backed away from endorsing controversial proposals under which companies would be forced to pay for causing environmental damage. It agreed that Ms Ritt Bjerregaard, environment commissioner, should prepare options for a harmonised "polluter pays" principle across the European Union.

She had argued for a wide-ranging liability law covering all environmental damage, including personal injury and damage to property, but said she would agree to the EU's accession to the Council of Europe's Lugano Convention, which sets minimum liability standards.

Brussels is under pressure from the European parliament to act on the issue of environmental liability. It has also faced demands by industry and some member states, including the UK, France and Germany, not to pursue EU-wide legislation. *Caroline Southey, Brussels*

Wider BSE cull demanded

Mr Horst Seehofer, Germany's health minister, yesterday demanded the killing of all the descendants of cattle imported from Britain and Switzerland, as well as the imported animals themselves, to rid Germany of the danger of BSE, or mad cow disease. The agriculture ministry has ordered the death of 5,200 imported beasts, but Mr Seehofer told a parliamentary committee there should be "no compromises" over public health.

It was not immediately clear how many animals might be affected if the government took up Mr Seehofer's call. One report spoke of 50,000, another of "more than 20,000" cattle. The alarm over BSE in Germany follows the discovery of the country's fifth case last week amid fears that the BSE had been transmitted from mother to calf. Adding to public concern has been the recent death of a 41-year-old nurse from Creutzfeldt-Jakob disease, the brain wasting ailment in humans that has been linked to BSE. *Peter Norman, Bonn*

Klima gives jobs top priority

Austria's new chancellor, Mr Viktor Klima, put job creation at the top of his agenda yeaterday but admitted in parliament that there were no ready-made solutions.

He was sworn in on Tuesday following the surprise resignation of Mr Franz Vranitzky, who had been chancellor for more than 10 years. He made rapid cabinet changes, replacing five of the seven Social Democratic ministers and moving the other two to new posts. He has also slimmed down the government, merging the health and social affairs ministries and reducing the size of the ministry of transport, science and the arts.

Mr Klima, whose appointment has boosted his Social Democratic party in opinion polls, affirmed his commitment to the coalition with the conservative People's party and ruled out any link-up with the far-right Freedom party. *Eric Frey, Vienna*

Spain to probe 'lost' tax cash

Spain's special anti-corruption prosecutor was instructed yesterday to investigate the case of the country's missing Pta202.8bn ($1.48bn) in tax money which the government says was lost by the previous Socialist administration because time limits were allowed to expire.

The decision by the attorney-general came as an unexpected new turn in the political argument over alleged negligence in the handling of tax inspections. Parliamentary parties agreed at the same time to set up a select committee to look into the affair.

Mr Juan Costa, state secretary for finance, told MPs yesterday that 40 per cent of tax investigations started between 1991 and 1995 had lapsed because of confused interpretations of the law and a lack of monitoring. This included almost half the cases to recover outstanding tax claims against large companies.

He said the Socialists had taken no measures to deal with delays at the National Inspection Office, in charge of serious tax fraud cases. *David White, Madrid*

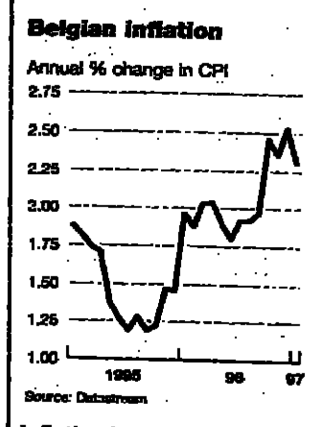
Belgian state workers protest

Tens of thousands of Belgian public sector workers marched through Brussels yesterday in protest over government plans to limit wages and change labour and pension laws. Unions said 40,000-50,000 workers took part, but the police estimated about 15,000.

Although the marchers brought traffic to a standstill in central Brussels and partial strikes affected regional transport, workers limited their strike activities elsewhere. But the unions, threatened a national strike if their message was not heeded. *Neil Buckley, Brussels*

ECONOMIC WATCH

Price rises slow in Belgium



The year-on-year increase in Belgium's consumer prices slowed slightly in January to 2.31 per cent from 2.53 in December. However, it was still higher than the 2.06 per cent average for 1996, according to economic affairs ministry figures. Month-on-month, January was 0.69 per cent above December, compared with 0.18 per cent the month before. The rises were blamed mainly on the higher cost of foreign travel, fruit and vegetables, petrol and household rents. Inflation has also generally been higher since October as a result of indirect tax increases imposed as part of Belgium's efforts to reduce its budget deficit to meet the criteria for EU monetary union. *Neil Buckley, Brussels*

■ French retail sales rose a provisional 2.4 per cent in October following a revised decline of 1.1 per cent in September, according to the statistics office Insee. October sales were down 1 per cent from the average of the previous three months.

■ German plant and machinery orders fell a real 13 per cent in December from a year earlier, the VDMA industry association said. Domestic orders were down 10 per cent and foreign orders 16 per cent.

French company's long campaign results in fine for Coca-Cola subsidiary

Orangina takes some fizz out of Coke

By David Buchan in Paris

Coca-Cola of France has been fined FFr10m ($1.8m) by the country's competition authority for abusing its dominant position in the French market, following a long legal campaign against it by Orangina, the French fizzy drink maker.

Mr Michel Fontanes, head of Orangina, which is a subsidiary of the Pernod-Ricard group, said yesterday that he would appeal against the ruling. Although the Competition Council has upheld two of Orangina's five complaints against Coca-Cola, Mr Fontanes wants to have the fine increased and to recoup the cost of his seven-year legal battle.

The Competition Council fined Coca-Cola for having given distributors extra rebates if they ensured its products amounted to 85 per cent of their total cola sales, and for providing big caterers, canteens and institutions, such as the army and hospitals, with free cola fountains that could not be used for rivals' products.

Coca-Cola said it had long since dropped the rebate scheme and that it was not alone in providing free cola fountains to big clients.

Despite winning only partial satisfaction, Mr Fontanes said the ruling had given him a new legal weapon with which to pursue the Atlanta-based cola giant. The Competition Court acknowledged that the market for cola drinks was distinct from the wider soft drinks sector, a distinction which Mr Fontanes said the European Commission had also drawn in its recent decision to let Coca-Cola buy Coca-Cola and Schweppes Beverages in the UK.

Coca-Cola Beverages of France has always contended that cola drinks should be seen as part of the wider soft fizzy drinks sector in which it is less dominant. It revealed yesterday that it had 40 per cent of the French carbonated drink market, but refused to give its own share of the cola market which, according to Mr Fontanes, is "at least 75 per cent".

Mr Fontanes started his legal crusade in 1990-91 when his company failed in an attempt to introduce its own cola and decided instead to become the exclusive "on premises" distributor of Pepsi-Cola in France. He denied he was acting in any way for Pepsi, Coca-Cola's main worldwide rival.

Yesterday he claimed his three other complaints had been dismissed on technicalities because they involved agents of Coca-Cola rather than the US company itself. He now intended to exploit the new definition of a separate cola market to press home his attack on Coca-Cola's exclusive marketing agreements in places such as EuroDisney in France.

France plans business corps

Up to 10,000 young people may serve with companies abroad

By Andrew Jack

The French government is capitalising on the end of the Cold War to turn its former military conscripts into economic worriers in the new battle for global trade.

It plans to place up to 10,000 young people each year on short-term assignments in French companies abroad to give them experience of winning business and working in other countries.

The details emerged as the National Assembly opened a debate yesterday on the government's proposals to abolish compulsory military service for all young adult males, in response to a reduced threat to western Europe from the former Communist eastern European bloc, and a desire to move to a smaller professional army.

Young people would be told about foreign opportunities available to them during "citizens' rendezvous" – the careers and voluntary service discussion which is to replace conscription, and which is projected to cost FFr2bn ($370m) a year.

Most conscripts are required to serve in the armed forces for 10 months, but since 1982 a small number – just over 3,000 last year – have had the option to work on attachment in foreign outposts of French companies for 16 months, where they often produce market research reports.

Mr Jean Arthuis, economics and finance minister, said he hoped this programme would affect 4,000 during the current year alone.

"We have to increase the number of people outside our borders," he said. "The development of French employment elsewhere is a unique chance for our economy. Apart from increasing the number of job opportunities for the young, it is a powerful tool to promote our interests."

He said expatriates were essential to boosting the country's export trade, but that there were only half as many French expatriates as there are Germans or English, and a third of the number of Italians based outside their country.

In a speech earlier this week, he said the high educational qualifications demanded for the existing scheme should be lowered so those with technical qualifications and apprentices should have the chance to work abroad.

The cost of the foreign economic attachments operated under the existing scheme – amounting to FFr3,800 a month plus some expenses and administrative charges – is born by the 1,000 participating companies.

The French foreign commerce department said that such placements were attractive for companies because the costs were low and that a high proportion were subsequently recruited as full-time staff.

Goodbye to all that: jobs with French companies abroad may replace conscription for some young people AP

French jobs scheme proves too successful

By Andrew Jack

The French government is considering reducing the scope of a law which provides tax exemptions for companies shifting employees to part-time working as it has proved so popular it could become financially insupportable.

Mr Alain Juppé, the prime minister, told the National Assembly yesterday that the *loi Robien*, named after the politician who introduced it last year in an effort to save or create jobs, was "a good law" but that "clarifications in the coming months to better define its perimeter would be useful".

The law should apply to "the competitive sector and not the state-administered sector which already benefits from public aid", he said. He also suggested that companies might be asked to do more in exchange for taking advantage of the law.

An analysis is to be carried out which could lead to modifications designed to exclude state-owned monopolies and other public institutions.

The legislation, initially supported by the government, allows companies to offset a proportion of the costs of a reduced working week against their social security contributions if they hire extra staff or preserve the existing workforce which would have been reduced without assistance.

The idea has proved useful at a time when the government is seeking to reduce record levels of unemployment, but it has proved a victim of its own success. More and more companies undergoing restructuring are using its provisions to help them move employees to part-time jobs.

There are growing concerns within the government that the costs are too high, and that philosophically it is at odds with the need to boost national productivity.

Mr Juppé said yesterday that by the end of December 105 agreements had been reached, permitting more than 27,000 employees to work part-time, creating 2,000 jobs and protecting 4,000 others.

The household electrical equipment manufacturer Moulinex this week became the latest big company to use the scheme. It announced more than 700 early retirements and 700 staff transferring to part-time working under the provisions of the law, softening its original proposals to make 1,500 staff redundant.

Other groups, including the troubled bank Crédit Lyonnais, have also recently unveiled proposals to shift large numbers of staff to part-time working as an alternative to redundancy.

Top civil servant fights minister's move to stop his pay

By Andrew Jack

A high-ranking official is taking the French government to court in an unprecedented dispute over the rights and privileges of civil servants moving between the public and private sectors.

Mr Patrice Chevallier is trying to prevent Mr Jean Arthuis, the economics and finance minister, stopping his civil service salary because he received a substantial pay-off from a private group to which he was seconded for a period.

Mr Chevallier received a lump sum of FFr2.15m ($390,000), or the equivalent of two years' salary, when he was made redundant from his job as chairman of Crédit Logement, a subsidiary of Crédit Foncier de France, the troubled property lender which has since been taken over by the state.

Although Crédit Foncier was formerly a private company, the government always used to appoint its top directors because of its public service mission.

Thanks to his status as a civil servant with the status of "disponibilité", Mr Chevallier was able to return to government service at his previous salary level and retirement benefits.

However, Mr Arthuis wrote to him last December saying that he had decided to cancel Mr Chevallier's government salary retrospectively, in view of the "special context of the situation of Crédit Foncier... the action that you carried out and the circumstances under which you left".

His decision is believed to have been partly based on disappointment at the poor financial performance of Crédit Foncier, which reported losses of FFr10.8bn for 1995 and is currently undergoing heavy restructuring and facing the likelihood of substantial job losses.

The action has been condemned as "totally illegal" by Mr Chevallier's lawyer, who said yesterday he had taken action to try to have it reversed. "Never in my experience have I seen a decision like this," he said.

The affair will be closely watched, coming after a ruling in December from the highest French appeals court that the government had acted illegally in seconding Mr Jean-Pascal Beaufret, who is a senior civil servant, to a top role at Crédit Foncier.

The court stressed that it did not criticise Mr Beaufret personally, but that the transfer to Crédit Foncier broke a 1993 law on the movement of civil servants outside government departments, because there was a potential conflict of interest. He had previously worked in the Treasury, where his job in part involved overseeing Crédit Foncier.

Mr Arthuis told politicians earlier this month that he wanted to develop a new code of ethics to address the topics raised by moving civil servant to and from the public sector.

NEWS: THE AMERICAS

Like much of the US, Fort Lauderdale's skyline is soaring, with few clouds on the horizon ... yet

Boom times transform beach blanket Babylon

By Gerard Baker in southern Florida

From Mr Jim Garver's 18th-floor suite in the centre of Fort Lauderdale you can almost sit and watch the job creation that has been the unique achievement of the US economy in the 1990s.

Rapid economic growth has transformed the city skyline in the last few years and it now looks reassuringly like a real American metropolis.

"A few years ago, we only had two skyscrapers in the downtown area," he says. "The last time I counted there were 12."

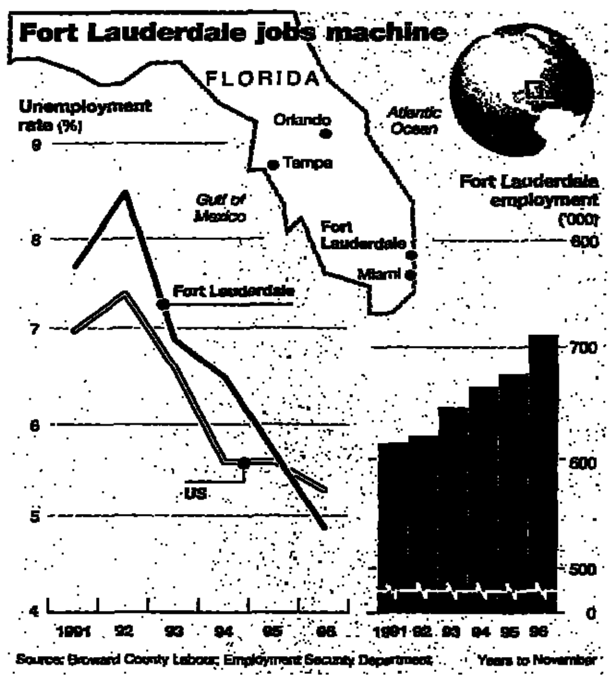
Mr Garver has special reason to enjoy the view. As chairman of the Economic Development Office for the Fort Lauderdale area of southern Florida, he has seen jobs expand at a remarkable rate, thanks in part to his efforts at attracting employers from all over the country.

But Fort Lauderdale, 20 miles up the Atlantic coast from Miami, is as good a place to understand what has happened to the US economy as a whole in the 1990s. In April, the country will enter its sixth year of uninterrupted growth. More than 10m jobs have been created as the national unemployment rate has fallen to a 10-year low of 5.3 per cent.

Most impressive, and for economists and policy-makers, most puzzling, is that the expansion has not been accompanied by any of the usual signs of inflationary pressure normally associated with rapid job creation. Why? The economy of Fort Lauderdale has some of the answers.

Between 1991 and late last year, nearly 100,000 net new jobs were created in the area, almost one in 100 of all new US jobs in the period. The city's rapid growth has helped it dispel its traditional reputation as a beach blanket Babylon, a haven for thousands of sun-and-sex-seeking sophomores on their annual spring break.

"Many of the new jobs have been in sectors well beyond traditional tourism, including financial services, transport and distribution and high-technology manufacturing," says Mr Bruce Thomson, an economist at Florida's labour department.



Source: Broward County Labour; Employment Security Department

One company in expansive mode is Citrix, a computer software maker that specialises in programs for large corporate customers, including Intranet and Internet applications.

Mr Ed Iacobucci, its chief executive officer, is a jovial techno-wizard of the Bill Gates generation. He left IBM to start the company in 1989. After initial difficulties, Citrix was listed on the Nasdaq stock exchange just over a year ago and has since seen its share price increase sevenfold.

In the last year alone, employment at the company has almost doubled to more than 150 jobs. Citrix recruits engineers, sales and marketing professionals from all over the country, and in these tight labour markets must pay competitive wages. But that has not forced it to raise its prices. And operating profit has increased tenfold in two years. The explanation is exponential productivity growth.

This picture is typical of the growth of the US economy in the 1990s. Productivity-driven improvements in information technology have transformed the cost equation for many US companies. Each year computers with much higher levels of performance are available, at the same or lower prices, a process that is extending its benefits throughout the economy.

Mr Iacobucci believes this is more than just the familiar and continuing process of improvements to the capital stock. "Current productivity improvements mean that never before has there been such an increase in the functionality of capital equipment available at fixed cost," he says.

The change has been a leading factor in keeping the general price level low. But it has not been the only one.

A short drive down Interstate 95 at the Broward County employment and labour security office, the small pool of the local unemployed look for work. Mr Nick Venditti, a director of the department, offers advice to job searchers on which employers are looking for labour. In the past few years, he has noticed a radical change in the types of contracts employers now offer new recruits.

"Companies don't think any longer in terms of just wages per hour. They are able to trim costs in a whole range of other benefits: health insurance, pension, all the extras. Increasingly, they offer the bare minimum."

Again, this is part of a national picture. Figures published this week showed that while US wage increases are gradually accelerating, non-wage benefits enjoyed by workers are stagnant.

The big factor is health insurance, where costs have fallen sharply in the past few years, but employers are also finding other ways of reducing overall remuneration. How is it that in tight labour markets, employers are able to trim the benefits they offer staff and not lose workers?

> 'A few years ago we had just two skyscrapers, now we've 12'

Last year, Mr Venditti's office established its first professional placement programme, to assist the growing number of professionals who find themselves displaced by large companies. Corporate downsizing has been a large feature of the national and the local economy in recent years. In the Fort Lauderdale area, several thousand jobs have gone following the closure of some operations by companies such as Allied Signal and IBM.

The workers displaced have usually found work quickly, but the overall impression created is of an economy churning jobs much more vigorously. This activity has, it seems, greatly increased workers' insecurity about their own employment, which has in turn, moderated wage pressures. Recent employment surveys suggest more people than ever before have either lost their job or have a family member who has lost his in the past few years.

But if this insecurity has played a big role in depressing wage growth and inflation, the current benign condition of the economy is likely to prove merely temporary. As workers gradually lose their insecurity wage pressures will grow.

Mr Garver sees this as a problem looming larger on his otherwise cloudless horizon. "I think a worker backlash is quite possible soon," he says. "When they get used to the new circumstances, workers will demand more. And they'll have the power to get it."

Castro denounces US offer

By Pascal Fletcher in Havana

Mr Fidel Castro, the Cuban president, has angrily denounced a US offer to help the island with aid, loans and investment if it embraces multi-party democracy. Calling the offer "Machiavellian," Mr Castro said his country's "freedom and dignity" could not be bought.

The offer was contained in a US government report released by the White House on Tuesday.

The document said Cuba could expect to receive billions of dollars of assistance and credits from foreign organisations and nations, including the US, if it established a government that did not include Mr Castro, abandoned one-party communist rule and organised free elections.

The Cuban leader's response was predictable. Addressing a torch-lit political rally in Havana on Tuesday night, Mr Castro said: "What outrages us most is that they try to buy us off".

"Free men die free and there is no power nor money in the world that can convert them into slaves," he added. He spoke after a march marking the anniversary of the birth of Cuba's 19th century independence hero, José Martí.

Drafted by the US Agency for International Development (USAID), the US report, which includes a preface by President Bill Clinton, outlines the kind of help a democratic Cuba could receive.

"It is reasonable to project that during a six-year period following the establishment of a transition government, Cuba would receive from \$4bn to \$8bn from the international financial institutions, multilateral organisations and individual countries," it says.

The document makes clear that the longstanding US economic embargo against Cuba would be lifted if the island adopted multi-party democracy.

Cuba could then expect to receive more foreign assistance and loans per capita than the nations of the former Soviet bloc, it adds.

The report forms part of the provisions of the US Helms-Burton Law, which seeks to tighten the US embargo on Cuba by trying to curb foreign investment on the island. Title II of the law deals with "assistance to a free and independent Cuba" and sets out specific requirements for a "transition government" on the island.

The US law defines such a government as one that does not include Mr Castro or his brother, defence minister Mr Raúl Castro, that releases political prisoners and respects human rights and organises free and fair multi-party elections.


Castro: angry at money for democracy offer *Reuter*

Cardoso bill sees off fresh challenge

By Geoff Dyer in São Paulo

Brazil's government yesterday defeated several opposition amendments to a constitutional change which would allow President Fernando Henrique Cardoso to stand for re-election.

The opposition spoiling tactics follow a crucial vote on Tuesday night in the lower house of Congress when the re-election bill was passed by a clear margin, in what was seen as the sternest test facing the constitutional change.

Deputies in the lower house yesterdat voted against a potentially damaging amendment which would have forced Mr Cardoso to stand down six months before the 1998 presidential elections if he intends to be a candidate.

Before it can become law, the re-election bill, which also allows state governors and mayors to stand for a second four-year term, must be approved by another vote in the lower house and two votes in the Senate.

Political analysts said that Tuesday's vote was likely to have been the most difficult challenge, because it gave deputies the greatest potential for extracting concessions from the government. Support for re-election was now likely to gather momentum, they said.

In a tense vote in the lower house, the re-election bill was passed by 336 to 17, well above the 308 votes needed for a change in the constitution, after many opposition deputies did not register for the vote.

Mr Luiz Carlos Santos, political affairs minister, temporarily resigned his post on Tuesday so he could take up his seat in Congress and vote for re-election.

The bill was backed by 74 of the 104 deputies from the Brazilian Democratic Movement party (PMDB), the largest in Congress and a member of the government, despite a campaign by some PMDB deputies to oppose re-election.

Clinton nominees make headway

By Nancy Dunne in Washington

Ms Charlene Barshefsky, designated trade representative, yesterday warned Congress that failure to grant President Bill Clinton broad authority to negotiate new trade deals would put the US "on the sidelines, while other nations move ahead to create new economic alliances and advance their economic interests".

Speaking at her Senate confirmation hearing, Ms Barshefsky began to lay the groundwork for the battle ahead to get "fast track" authority from Congress to allow the president to negotiate free trade deals in the Americas and Asia-Pacific.

US vital interests were at stake, she said, while "within Latin America and Asia, intra-regional preferential trading arrangements are rapidly changing trade patterns and the competitive rules of the game".

Ms Barshefsky's nomination, once in doubt, seemed set to fly through the Senate with little objection. When in private law practice, Ms Barshefsky briefly advised Canada, and new rules say US trade representatives cannot have represented foreign governments.

However, enthusiasm for her nomination was such that senators yesterday were set to approve a waiver to the rule.

Mr Clinton's other nominees were yesterday also experiencing clear sailing. Mr Andrew Cuomo, son of the former New York governor, was confirmed as housing secretary by 99-0. Bipartisan praise was heaped on Mr Rodney Slater, nominee for transportation secretary.

Mr William Daley won a 15-1 vote by the Senate Commerce Committee on his nomination to be commerce secretary. He was opposed only by one Republican who though perhaps the son of the legendary mayor and machine boss of Chicago, Richard Daley, would not follow through on his vow to de-politicise the commerce department.

AMERICAN NEWS DIGEST

Durable goods orders decline

Orders for costly manufactured goods dropped unexpectedly in December, the Commerce Department said yesterday, primarily because of a steep decline in demand for communications equipment.

New orders for durable goods fell 1.7 per cent in December to a seasonally adjusted \$168.99bn, sharply contrary to Wall Street economists' forecasts of a 1.2 per cent pick-up.

Shipments of finished manufactured products also weakened in December and order backlogs were flat.

The December decline followed a matching revised 1.7 per cent drop in November orders – the first back-to-back monthly decreases since January and February last year.

The department said that for the full year 1996 durable goods orders increased 5.5 per cent. This compared with a 7.2 per cent rise in 1995, and was the weakest gain since a 5.4 per cent rise in 1993.

Some analysts saw a bright side, however. "There are some signs within the report that suggest it's not as weak as it appears on the surface – such as primary metals up 2.2 per cent, industrial machinery up 1.5 per cent," said Mr Michael Niemira, an economist at Bank of Tokyo-Mitsubishi. *Reuter, Washington*

NY warns Swiss over fund

New York city and state sent warnings to Switzerland yesterday that they would make it difficult for Swiss banks to do business in New York unless the Swiss created a fund to compensate Holocaust victims.

The head of the New York state assembly announced hearings to determine under what circumstances a foreign bank's licence or certification might "be revoked." The president of the New York city council introduced a bill to bar city funds from being deposited in Swiss banks until a compensation fund was set up.

This is the first time the state and local government have entered the international controversy over whether Swiss banks failed to return millions of dollars deposited by Jews before and during the second world war. Negotiations between the Swiss and the World Jewish Congress are in a delicate phase. The Swiss government has said it will contribute to such a fund, but has not said how much would go into it. *Reuter, New York*

Summit on Peru hostage crisis

Japanese Prime Minister Ryutaro Hashimoto said yesterday he and Peruvian President Alberto Fujimori planned to meet in Toronto on Saturday to discuss ways to end the six-week-old Lima hostage crisis.

In a sign of growing worry that negotiations to free the 72 captives at the Japanese ambassador's residence were stalled, Mr Hashimoto said Mr Fujimori wanted the meeting as soon as possible. Mr Hashimoto, who this week indicated Japanese concern that Mr Fujimori was taking chances by stepping up psychological pressure on the hostage-takers, said he planned to leave tomorrow and return to Tokyo on Sunday.

Canada was chosen for the meeting because Mr Anthony Vincent, Canadian ambassador to Peru, was on a so-called peace panel it was hoped would be the forum for negotiations between the guerrillas and Peru's government. *Reuter, Tokyo*

Mexican rates come down

Mexico's short-term interest rates have fallen to their lowest level since the peso crisis of late 1994 and early 1995. Interest rates on benchmark 28-day treasury certificates, known as Cetes, fell to 21.91 per cent in a government auction this week, a percentage point below their level the week before.

The steady fall in interest rates has come in conjunction with a strong performance by the country's stock market, which reached record highs in the first two full weeks of trading this year before falling back in recent days. Investors have been cheered by good macro-economic figures, and have also moved funds back into stocks after taking cash positions for the end of the year. Despite money coming into the country, credit remains scarce, with most major banks still concerned with the high burden of problem loans. After contractions in 1995 and 1996, only marginal increases in lending are expected for the current year. *Daniel Dombey, Mexico City*

Jamaica seeks treaty talks

Jamaica has told the US it wants to resume negotiations on a controversial treaty to combat drug smuggling in the Caribbean, amid reports the island could be "decertified" by Washington unless there was agreement.

Negotiations over the "ship rider" treaty ended late last year, with Jamaica saying it was being asked to sign the pact without being allowed to negotiate aspects with which it was unhappy. The treaty, signed by several Caribbean countries, allows US agents to chase and arrest suspected narcotics traffickers into the air space and territorial waters of the Caribbean states. Jamaica and Barbados say this is a violation of sovereignty, and want the treaty to cover gun smuggling and repatriation of convicts by the US. *Canute James, Kingston*

تكامل الأعمال

SIMPLIFY!

Delphi is getting even smarter.

Delphi Automotive Systems and Delco Electronics are taking steps to further integrate their business operations.

Clearly, the future of automotive transportation will rely more and more on electronics. The planned integration of these two companies will create an industry-leading supplier with an unparalleled portfolio of electronically enhanced vehicle systems with improved functionality, innovation and world-class quality.

Delco's prowess as a technological innovator can only strengthen Delphi's ability to provide single-source expertise to automotive manufacturers around the world. Delphi's power to simplify is being substantially augmented.

DELCO ELECTRONICS

DELPHI Automotive Systems

The power to simplify.

Watchdog in Hanbo bank loans inquiry

By John Burton in Seoul

South Korea's banking watchdog yesterday launched an investigation into why five big banks lent $5.8bn to the financially shaky Hanbo steel and construction group, which went bankrupt last week in the nation's biggest corporate collapse in a decade.

The banks being examined by the Office of Bank Supervision (OBS) include Korea First, Cho Hung, Korea Exchange, Seoul Bank and the state-run Korea Development Bank. Standard & Poor's yesterday became the latest foreign credit agency to place Korea First, Hanbo's biggest creditor, on ratings watch for a possible downgrade.

The opposition has claimed corrupt government officials pressed the banks to lend to the Hanbo group. An opinion poll has disclosed almost two-thirds of Koreans believe the administration of President Kim Young-sam was involved in the scandal, but doubt a government investigation will uncover the full truth.

Hanbo grew rapidly during the current administration, with the government approving the ill-fated steel project and the group's entry into other businesses despite Mr Kim's pledges to limit expansion of the nation's dominant conglomerates.

Unions, which recently staged strikes over a controversial new labour law, said the collapse of Hanbo had strengthened their campaign to repeal the law, which makes it easier for employers to sack workers.

Mr Kwon Young-gil, leader of the dissident Korean Confederation of Trade Unions, said Hanbo's collapse underscored the union group's argument that government mismanagement of the economy, not higher wages, was the prime cause of Korea's loss of competitiveness.

Analysts are questioning why the banks became so heavily exposed to Hanbo loans and what the OBS was doing to monitor the situation. In its last regular inspection of Korea First last October, the OBS did not raise serious questions about the extent of the bank's loans to Hanbo.

Korea First, with shareholders' equity of Won1,800bn ($2.1bn), lent almost Won1,100bn to Hanbo. "No Western bank would provide such huge loans, equivalent to more than half its capitalisation, to a single company. That is a recipe for disaster," said Mr Adrian Cowell of Kleinwort Benson in Seoul.

Hanbo borrowed the funds to build a $6.7bn steel mill that has proved uneconomic. The banks decided to stop lending to Hanbo when they calculated that projected sales from the steel mill would be unable to cover annual interest payments.

"Hanbo represents a severe indictment of the banks for their lack of credit risk analysis," said Mr Henry Morris, a director at Coryo Securities. Korea's banks have traditionally been weak in credit analysis since the government has heavily influenced their loan decisions.

The government has denied allegations about state involvement in the scandal. It said the decision to allow the banks to declare Hanbo bankrupt proved there was no official favouritism for the group.

Beijing takes harder line on journalists

By Tony Walker in Beijing

China's journalists are feeling the chill wind of Communist party orthodoxy, as the country prepares for next week's spring festival celebrations marking the beginning of an important year politically.

Publication this week of new rules aimed at strengthening journalistic "ethics" is part of a year-long campaign aimed at ensuring Chinese publications "toe the party line" in the run-up to the national party congress later this year.

The official Xinhua news agency said journalists had been urged in a recent directive by the Communist party central committee's propaganda department to be "models of socialist ethical and cultural progress, instead of mere supervisors".

Western analysts say a "progressive tightening" has been going on since last January, when President Jiang Zemin described journalists as "engineers of human souls" who bore special responsibility for improving society.

"This is all part of a process of house-cleaning in preparation for the party congress," said a western official. "In the orderly Leninist mind there was a sense things had got out of control especially during the boom years of 1992-93 when the economy took off."

Passers-by read a newspaper displayed in a Shanghai street

Beijing's campaign to impose "discipline" on its own reporters is also being reflected in a campaign against the western press. The main targets are the New York Times, Washington Post and Economist.

People's Daily, the party newspaper, accused the Times and Post yesterday of "exaggeration" and "distortion" in reporting Chinese pressures on the new Hong Kong administration to limit political and press freedoms.

It also accused the US media of jeopardising improved Sino-US relations by accusing President Bill Clinton of being "too weak" on China.

Criticism of the US media coincided with the arrival in Beijing of a US human rights delegation led by Ms Sandra Kristoff, the National Security Council's chief Asia expert, and Mr Peter Eicher, director of the State Department's human rights bureau.

The State Department's annual review of human rights is understood to be strongly critical of China over what is perceived as a further stifling of dissident activity in the past year.

Chinese officials greeted the delegation's arrival with a rejection of US criticism. "The efforts and achievements made by the Chinese government are there for all to see," an official said. "Anyone who is not biased will reach a fair conclusion."

China's recent assault on the western media has been spearheaded by a new book entitled *Behind the Demonisation of China*. Written by eight Chinese academics, the book has been widely published in the official Chinese press, indicating high-level approval.

The book assails US publications for what one of the authors described as "constant lies and hypocrisies." Mr A.M. Rosenthal, columnist, trenchant critic of China and former editor of the New York Times, is described as the "great vilifying master".

A western official said Chinese criticism of the western press "comes and goes in waves more or less with official approval". He added: "This is all part and parcel of another big theme, which is that China has a rightful place in the world and should not be dictated to, especially by the US."

Strongly nationalist sentiments appear to underlie much of the criticism. China's increasing economic power is unlikely to make for easier relations with the western press.

Forest fund aids Suharto associate's company

By Manuela Saragosa in Jakarta

President Suharto of Indonesia has approved the transfer of Rp250bn ($105m) from a government reforestation fund to a pulp company controlled by a close associate and golfing partner, Mr Mohamad "Bob" Hasan.

The transfer, criticised by environmental groups, is the latest indication of the influential role played in Indonesia by Mr Hasan, a timber tycoon.

Mr Hasan has been in the limelight in recent weeks because of his key role in a battle for control of the Busang gold deposit in east Kalimantan, believed to be the world's largest. Mining companies vying for control of the deposit, in which two companies controlled by the timber magnate have a minority stake, have been meeting Mr Hasan in an attempt to win a government contract for its development.

Mr Hasan is one of Indonesia's largest owners of logging concessions and timber plantations.

He owns and manages hundreds of companies and is chairman of Nusantara Ampera Bakti, known as Nusamba, an investment company 80 per cent controlled by foundations chaired by Mr Suharto.

The transfer from the reforestation fund has sparked anger among Indonesian environmental pressure groups, which claim that the fund has increasingly been used to finance off-budget projects rather than re-plantation schemes.

The forestry minister, Mr Djamaludin Suryohadikusomo, said during questioning at a parliamentary hearing yesterday that the "loan" was made to Kiani Kertas to help it complete construction of a pulp factory in Kalimantan, the Indonesian half of Borneo.

He added that the transfer had been approved on December 10 in a decree signed by President Suharto.

Indonesia has the world's second largest reserves of tropical forests but reforestation is considered important as the World Bank has warned that harvests are running about 50 per cent higher than the estimated sustainable cut.

Management of the reforestation fund has come under fire from environmental groups for lack of transparency.

The government could use the fund for many "political objectives", said Mr Indro Tjahjono, a director at the forestry pressure group Skephi, which is funded by Dutch non-governmental organisations.

Officials at Skephi estimate the fund has accumulated upwards of Rp10,000bn ($4.2bn) since it was set up 20 years ago, with Indonesia's logging concessionaires required to contribute to it.

"We know about 30 per cent of the business of this reforestation fund. The rest is unknown because money from the fund is given to co-operatives, foundations and state-owned companies," said Mr Tjahjono.

Two years ago, Mr Suharto approved a $200m transfer from the fund to the state-owned national aircraft manufacturing company, a project controlled by the minister for research and technology, Mr Jusuf Habibie.

That prompted a group of seven pressure groups to file a suit against the president. However, Indonesia's courts ruled they did not have the authority to hear the case.

Burma to be admitted to Asean

By James Kynge in Singapore

Burma is to be admitted into the Association of South East Asian Nations, probably by July, in a move expected to draw stiff opposition from the European Union over Rangoon's human rights record.

Government officials in two Asean countries said privately the regional group had decided to allow Burma to join the seven-member group this year, probably at 30th anniversary meetings in Kuala Lumpur.

Last month Asean leaders said Burma, Cambodia and Laos would join at the same time but declined to lay down a timetable for entry.

The latest decision could strain ties between the south-east Asian group and the EU, which, with Washington, has consistently criticised rights abuses in Burma.

President Bill Clinton has been empowered by the US Congress to impose sanctions on Burma. But Washington's attitude to Rangoon's entry into Asean has been less strident than Europe's. This week, PepsiCo became the latest foreign multinational to withdraw from Burma, citing its human rights abuses.

The most immediate manifestation of a cooling of relations is likely to emerge at a meeting of European foreign ministers and their Asean counterparts in Singapore next month.

One senior official from an Asean country said that to deflect potential European ire at the Singapore meeting, no announcement is likely to be made on Burma's entry until "shortly before" Rangoon is actually inducted.

The EU may raise strong objections to Burma's inclusion as a general principle. Asean, for its part, is preparing to rebut any such statements by telling the Europeans not to interfere in its internal affairs.

Mr S. Jayakumar, Singapore's foreign minister, who would not confirm or deny Burma's likely entry this year, said the west often misjudged the intensity of the belief within Asean that its internal dealings are its own business.

But Burma's recent actions have left Brussels with little cause for hope that Asean's policy of "constructive engagement" with Rangoon is helping reform the military government.

This week, Burma announced that 14 people, including five members of the main opposition party, had been jailed for seven years for taking part in demonstrations. EU critics believe Asean's proposed embrace of Burma would amount to an endorsement of the regime, depriving the international community of leverage on Rangoon over reforms.

ASIA-PACIFIC NEWS DIGEST

Layoffs grow in Shanghai

The Shanghai government said yesterday the number of workers laid off from state-owned enterprises rose 20 per cent in 1996. The rising number of redundancies came in spite of the robust performance of the Shanghai economy, which grew 13 per cent last year and is expected to show strong growth, albeit slightly lower, in 1997.

The government made a point of identifying the growing problem of redundant workers from state-owned enterprises who still get a subsistence wage from their old employers. Such layoffs, as distinct from registered unemployed with no recourse to a work unit, rose to 270,000 in 1996 from 200,000 the previous year.

Some 27.8 per cent of state enterprises in Shanghai lost money last year – a total of Yn5.7bn ($687m) – down from 33 per cent in 1995. *James Harding, Shanghai*

Taiwanese share guru arrested

Shares in Taiwan nose-dived yesterday after authorities arrested a stock market guru – Mr Tan Ching-lien – suspected of manipulating prices through his cable television programme. His wife and and other stock "analysts" working with him were questioned. Known as "Teacher Tan", he had gathered a loyal following among Taiwan's retail investors, who dominate the Taiwan stock exchange. He frequently recommended which stocks to buy or to sell, triggering volatile trading.

Self-styled stock experts have proliferated on the airwaves recently with the opening up of Taiwan's cable television industry. Mr Tan is not a licensed securities analyst. He apparently took a correspondence course but did not complete it. Last year he was accused of urging punters to buy certain stocks while he and associates secretly sold them. *Laura Tyson, Taipei*

Australian inflation down

Consumer prices rose by just 0.2 per cent in Australia in the three months to December, bringing the year-on-year inflation rate to 1.5 per cent. This compared with a year-on-year rate of 2.1 per cent in the previous quarter and was slightly lower than most private sector analysts had been forecasting. The inflation news renewed speculation that the Reserve Bank board might decide to cut interest rates again when it meets on Tuesday.

■ The Australian treasury said yesterday it had raised its 1996-97 borrowing requirement to A$10.2bn (US$7.9bn), up by A$3.2bn from its estimate at the time of the August budget. *Nikki Tait, Sydney*

Yen's fall boosts Japanese output

By William Dawkins

Japanese industrial output hit a nine-year high in the final quarter of 1996, as exporters worked overtime to benefit from a weak yen and domestic companies prepared for an expected surge in demand before a sales tax increase.

The Ministry of International Trade and Industry said yesterday that production rose by 0.3 per cent from November to December, bringing output for the final three months of the year 3.3 per cent ahead of the previous quarter.

Industrial output rose 2.6 per cent for the full year, slightly less than the 3.4 per cent growth in 1995.

Separately, the yen yesterday continued its decline to Y122.3 to the dollar, the lowest since July 1991, and nearly 12 per cent down over the past six months.

While a boon to exporters, the yen's renewed slide yesterday aroused fresh government worries that higher import prices could provoke inflation. "I do not welcome rapid changes like that," said Mr Ryutaro Hashimoto, the prime minister.

The rise in production was accompanied by a 0.4 per cent month-on-month decline in inventories of unsold stocks and materials, the second mont'' of decline, to the lowes: level since August 1995.

HSBC James Capel Japan predicts that output will fall again slightly in March, but that first quarter output will nevertheless come out 7 per cent ahead of the same period last year.

However, economists warned they saw no evidence of a sustainable recovery in industrial production.

The prospect of a rise in sales tax from 3 per cent to 5 per cent has caused industrial and individual consumers to stock up while bargains last, pointed out Mr Russell Jones, economist at Lehman Brothers in Tokyo. Proof of recovery could only be seen after the tax rise.

"We won't get any new information on the sustainability of this recovery in output until the third quarter of this year," he said. "The signals are still mixed," said Ms Mineko Sasaki-Smith, economist at CS First Boston Japan.

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Further step in phasing out coal mining industry

Mitsui plans pit closure

By William Dawkins in Tokyo

Mitsui Coal and Mining, Japan's main coal producer, is negotiating terms with creditors for imminent closure of the country's largest remaining pit, Miike mine in the southern prefecture of Fukuoka.

The company said yesterday it was seeking a 20-year deferral of repayments of a portion of Miike's Y100bn ($826m) debts, to give it time to sell property and other assets in a depressed asset market.

The closure of the 124-year-old pit will leave Japan with only two working mines – in Nagasaki in the south and in the northern island of Hokkaido – down from a peak of 600 mines in the early 1970s.

It marks a significant step in a government plan to phase out the Japanese coal industry and the biggest step in Mitsui's planned withdrawal from domestic coal mining.

Miike used to be Mitsui's largest pit and was the centre of one of the few strikes in modern Japan in 1960, when the company tried to cut thousands of jobs.

Sensitive to the impact on workers and the local economy, Mitsui officials stressed the company had not made a final decision on closure, expected by unions to take place by the end of March. The mine has 1,170 employees.

Japan's coal mine closures have sparked far less social disturbance than was the case with restructuring of Europe's coal industry. Most pit closures have been accompanied by generous local redevelopment plans for new industries, albeit barely profitable ones.

Japan's coal closure plan was triggered by a stronger yen, but was also a response to power companies' shift to cleaner and cheaper fuels and a fall in the price of imported coal.

Coal imports at present cost less than a third of the Y17,000 ($140.50) per tonne fixed by the Ministry of International Trade and Industry in agreement with reluctant electric power companies. Domestic prices are set artificially high to subsidise the orderly closure of Japan's remaining mines by March 2002, when this support will be withdrawn.

Despite high Japanese coal prices, Miike has an accumulated loss of Y70bn.

Blow to vehicle industry overshadows inward investment ceremony

Iveco to close truck assembly unit

By Haig Simonian, Motor Industry Correspondent

Iveco, the commercial vehicles arm of Italy's Fiat group, will next month announce the closure of its truck plant at Langley, 25km west of London. About 500 jobs will be lost.

The factory, built in 1936 to make Hurricane fighter planes for the Royal Air Force, now manufactures the Cargo, Britain's best-selling truck, in a joint venture with Ford. Last year, the Cargo accounted for 36 per cent of sales in the 7.5 tonne category – the second-biggest segment of the truck market.

The decision is the second blow to the British motor industry this month after Ford's move to cut 1,300 jobs – and possibly close – its car factory at Halewood in north-west England. Trade union leaders representing Ford workers met yesterday to finalise plans for a strike ballot against the redundancies.

Tension between Ford and its unions is likely to mount because of the Langley closure. In 1986, Ford sold its UK truck operation, based at the plant, to Iveco in return for 48 per cent of a joint venture, Iveco-Ford, to manufacture and sell trucks in the UK. Ford, however, retained the freehold of Langley. The 25ha acre site is at a prime location between the M4 and M25 motorways close to London's Heathrow airport.

"A well-located site in this area with the appropriate planning permission will command a premium price," said Mr Steve Mallen, head of research at Knight Frank, the chartered surveyors. "It could fetch between £500,000 ($805,000) and £1m an acre [0.4ha], depending on the planning consent."

Iveco yesterday declined to confirm the closure decision. "We are currently carrying out a strategic review of the size of our manufacturing capabilities, product segment by segment ... Iveco will communicate its decision at the end of this strategic review," it said.

The axe is believed to have fallen on Langley because it is just an assembly operation, with metal stampings imported from Brescia in northern Italy.

Iveco-Ford built 7,677 Cargo and Super Cargo trucks last year. Almost 18 per cent wereexported, predominantly to mainland Europe. Output at the plant has never exceeded 18,000 vehicles a year because of limited demand.

Analysts blamed the closure on severe overcapacity in the truck market, which led to declining profits at many manufacturers. Iveco, which will report group results until April, is expected have made about £150m last year. However, earnings at Iveco-Ford are believed to have fallen from £7.3m after tax in 1995, although the company is believed to have remained profitable.

The Langely closure will be cushioned by news of further spending at Seddon-Atkinson, the specialist truckmaker acquired by Iveco when it bought Spain's Pegaso in 1991.

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Eaton Corporation, the US manufacturer of vehicle components and electrical equipment, is to open an office in Glasgow, Scotland, to provide financial services to its offshoots in Europe, James Buxton writes.

The Glasgow operation, which will open in July, is being set up because of a decision by Eaton last year to centralise its financial operations in Europe and North America to reduce administrative costs. It expects annual savings of about $40m from the policy. Staff numbers in Glasgow should reach 100 in three years.

Eaton, which has annual sales of $7bn, will recruit in Scotland and in the rest of Europe to staff the office. It was attracted to Glasgow by its reputation as a financial centre and by the availability of a skilled multilingual workforce. Eaton employs 8,300 people in nine European countries.

Industry is urged to seek Iraq contracts

By Jimmy Burns in London

British companies are being told by a government-backed committee to bid for a big share of an estimated $1.3bn of contracts with Iraq which could become available in the coming weeks.

The figure appears in an officially approved note detailing an Iraqi shopping list of goods and equipment which Baghdad wants to buy with cash generated by its UN-approved oil sales.

The note, "The implications of the signing of United Nations Security Council Resolution 986 and the opportunities for UK-Iraqi trade", has been sent out by the Committee for Middle East Trade (Comet), which advises the government on promoting trade in the region. Comet is funded by the government's Department of Trade and Industry.

It emerged yesterday that executives from more than 30 UK companies attended a recent London seminar on trade with Iraq organised by the Middle East Association, which is also in favour of closer ties with Baghdad.

Comet's members include government officials and representatives of the private sector. Its chairman is Dr Noel Brehony, a member of the Midde East Association and director for Middle East affairs with Rolls-Royce, which traded with Iraq before the Gulf war.

Glasgow-based Weir Group, which supplied industrial products to Iraq, confirmed that it was among several companies which hoped to profit from the latest government initiative. "Things are moving fairly quickly," an executive said.

SmithKline Beecham said: "With the help of the DTI and the Bank of England, we are actively pursuing opportunities with Iraq to supply life-saving medicines in compliance with UN guidelines."

In addition to food and medical supplies, the Iraqi shopping list covers water treatment, electricity and power generation equipment which UK companies helped build and supply before the Iraqi invasion of Kuwait just over six years ago.

The briefing note states: "British exporters should offer their products direct to the relevant Iraqi ministry/purchasing authority (telex is the best means of communication)". It goes on to list some "appropriate contacts".

It is the latest evidence that the UK government is encouraging trade with Iraq for the first time since the Gulf war.

Before Christmas, the DTI scrapped a requirement under which a company needed a special licence to discuss with Iraq contracts for "essential civilian supplies and pipeline parts".

Under a UN resolution which came into effect in December, Iraq can purchase certain goods through a special New York escrow account used for oil revenue.

Iraqi officials and British businessmen are thought to have already engaged in pre-contractual discussions both directly and through brokers based in Jordan. Contacts have DTI approval.

UK NEWS DIGEST

Extra curb on unions spurned

The government's latest plans to reform industrial relations were rejected unanimously yesterday by the Confederation of British Industry's governing council. It is the first time the country's largest employer organisation has rebuffed a Conservative government in its efforts to curb trade union power by the use of the law.

The CBI council said employers believed the current framework of industrial relations law established by the Conservatives over the past 17 years was a "sound basis for good employee relations" and "there was no need now for a further major reform of the law".

The CBI was responding to government proposals for further legal action against industrial disputes. It said it was not convinced that the removal of legal immunities from unions in industrial actions which have "disproportionate or excessive effects" are appropriate because "this would prove difficult to define and enforce and so cause greater uncertainty". On the proposal to require an increase in the advance warning to be given to an employer by a union before the start of an industrial action, the CBI says this is "unlikely to add any benefit to current notice arrangements". *Robert Taylor*

■ RACIAL EQUALITY

Call for more ethnic recruitment

Britain's business leaders have been urged by Mrs Gillian Shephard, the education and employment secretary, to draw on ethnic minority talent in their recruitment strategies.

Section eight of the government's new Asylum and Immigration Act came into force on Monday, making it a criminal offence for employers to hire anybody who is subject to immigration control.

Mrs Shephard told a conference sponsored by her department and the Commission for Racial Equality that it was in the interest of companies to recruit more workers from the ethnic communities. "It would be a folly for them to neglect a sector of the population which is set to grow from 6 per cent to nearer 10 per cent of the total workforce in the next century," she said.

Sir Robin Butler, secretary to the Cabinet, and other senior officials as well as Sir Anthony Battishill, chairman of the Inland Revenue, were present, indicating the strong central government commitment to racial equality in the workplace. *Robert Taylor*

■ MONEY LAUNDERING

Britain to establish Moscow link

Mr Michael Howard, home secretary, announced yesterday that a British liaison officer would soon be appointed in Moscow as part of a campaign against terrorism, drug trafficking and organised crime. The officer, from the UK Customs and Excise Department, would also work with the Russian authorities to prevent money laundering by mafia groups, an issue of increasing concern in the City of London.

Mr Howard was on a two-day trip to Moscow to stress the importance of bilateral efforts in the war against crime. After meeting Mr Anatoly Kulikov, his Russian counterpart, Mr Howard said their two governments would soon sign a memorandum of understanding on co-operation.

The initiative comes as western governments have expressed increasing alarm at the upsurge of criminal activity in the former Soviet bloc. Earlier this week, Mr Yuri Skuratov, Russia's procurator general, visited Switzerland to help establish a joint working group about money laundering. *John Thornhill, Moscow*

■ INTEREST RATES

Warning from central bank

It emerged yesterday that Mr Eddie George, governor of the Bank of England, the UK central bank, warned Mr Kenneth Clarke, the chief finance minister, in December that base rates would have to rise by a half point in the first few months of this year.

The minutes of their December 11 monetary meeting, released yesterday, raised the prospect of a widening rift between Mr Clarke and the Bank over interest rates in the run-up to the general election.

They showed that Mr George raised stiffer than expected opposition to Mr Clarke's decision to leave rates unchanged at 6 per cent following the meeting.

Mr George called for an immediate quarter point increase in base rates for the government to stand a realistic chance of hitting its inflation target. But Mr Clarke rebuffed Mr George, saying there were still "mixed" signals on the economy, some of which suggested a slowdown in retail activity and weak industry inflation. He said the difference between himself and Mr George was "on the pace of interest rate rises". *Graham Bowley*

■ ENTRY TO EC

Ex-chief negotiator dies

Lord Rippon, who has died at the age of 72, will be remembered mainly as the Conservative politician who led the successful negotiations for British entry into the European Community in the early 1970s. He was appointed by Mr (now Sir Edward) Heath, then prime minister, to pursue the negotiations which, under Mr Heath himself, ended in the veto by President de Gaulle in 1963.

Lord Rippon was always a strong European and internationalist, and as Geoffrey Rippon he was an MP almost without interruption from 1955 to 1987. The European negotiations in 1970-72 were much less complex than those a decade earlier, partly because the French under President Georges Pompidou had changed their minds about Britain. Nevertheless, Lord Rippon won praise all round for his role in them.

After the European negotiations were completed, Mr Heath made him environment secretary, a post at which – to Mr Heath's great pleasure – he announced the start of the Channel Tunnel. Lord Rippon had numerous business interests, notably as chairman of Britannia Arrow Holdings (now Invesco). *Malcolm Rutherford*

Premier hails 'tribute' from Korean group

By Roland Adburgham in Newport

Mr John Major, the prime minister, yesterday hailed the decision by LG, the Korean electronics group, to build a £1.7bn ($2.8bn) complex at Newport in south Wales as "a massive vote of confidence in Newport, Wales and the UK".

Describing it as "the largest job-creating project ever brought to Europe", Mr Major said it was a "very remarkable tribute" that LG should have chosen to come first to Europe, then to the UK, and finally to Wales.

The prime minister was speaking at a turf-cutting ceremony to mark the start of construction. The electronics factory, which will make 2m monitors and 3m display and picture tubes a year, is due to begin production late this month.

Total aid to LG, through regional grants, provision of the 250-acre (105ha) site and help with training, is unofficially estimated at up to £200m. But Mr David Rowe-Beddoe, chairman of the Welsh Development Agency, said: "We are of the very firm conviction that this project was not overbid for." He said it was untrue that Scotland and Wales, in competing for the plants, had bid up the amount of aid on offer.

Mr Major said that there had been record investment in the UK last year, with 500 projects from 29 countries. "We're an extremely competitive country in which to invest," he said.

He claimed the factors behind this – including the UK's economic prospects, tax structure, intellectual skills and good labour relations – were "increasingly making the UK the economic centre of Europe".

It was the government's view, the prime minister added at the LG ceremony, that "any external investor who invests in the UK shall be treated for all practical purposes as though it were an indigenous British investment".

Barry Batchelor

Prime minister John Major (centre) at the LG plant in Wales with William Hague, minister for Wales (left), and the South Korean ambassador to the UK, D.J. Choi

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Labour party backs EU 'skills passport'

By John Kampfner, in Cologne

A European Union "skills passport", explaining British training qualifications to employers across the continent, will form part of a Labour government's promotion of more flexibility in EU job markets. Opinion polls continue to indicate that the Labour party will win the general election expected in May.

Mr Stephen Byers, the party's shadow employment minister, told German employer organisations and trade unions this week that Labour wants a pan-EU document that compares members' training standards.

In a speech in Amsterdam last week, Mr Tony Blair, the Labour leader, called on companies, workers and the employment service to "encourage mobility, flexibility and employability".

Labour's strategy, which would initially be pursued at meetings of the EU social affairs council, would encourage member governments to accept the need for experts to determine equivalence between, for example, a particular grade of the UK's national vocational qualification and the Greek or French alternative.

"It is vital to put into place measures that will help people meeting changes taking place around them," Mr Byers said yesterday. "A document which recognises skills levels achieved by individuals which can be easily understood by employers across Europe would play an important part in encouraging a new level of skills and supporting mobility of labour."

Mr Robin Cook, Labour's shadow foreign secretary, this week pledged the completion of the single market and removal of remaining protectionist barriers – in trade and job provision – as one of the top priorities of the British presidency of the EU in the first half of 1998, assuming that a Labour government is in power.

German employers federation officials told Mr Byers, however, that equivalence would be impossible to assess. They also suggested that employers would be wary of accepting the principle of multinational recognition of qualifications.

Mr Blair has called on the UK Employment Agency to modernise its practices, to provide a more "personalised service" for job-seekers. One Labour demand would be that they should look for positions beyond the UK.

On receiving a qualification, an individual could have it stamped in his "skills passport", with translations and comparisons in several languages, and show it to prospective EU employers.

Labour acknowledges that under the Maastricht treaty vocational training control remains the preserve of member states, and says it has no plans to change this. But it points to changes already secured, such as EU recognition of many university degrees.

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German warning on jobs competition

Mr Stephen Byers, shadow employment minister, has spent two days hearing the views of German politicians, employers and trade unions on the social dimension of EU policy-making, John Kampfner writes.

Labour is seeking to reconcile what critics say is irreconcilable – minimum standards for workers, with the competitiveness foisted on Europe by the deregulated markets of Asia and the Americas.

Labour has pledged to sign the social chapter of the Maastricht Treaty, but Mr Byers sought assurances that further measures regarded by Labour as anti-competitive would not be introduced by the back door.

Mr Frank Hantke, of the German trades union federation, called for pan-European standards to prevent multinational corporations from shopping around to invest in countries with the weakest worker protection – invariably the UK or Spain. "German unions are prepared to change, our workers acknowledge they will have to make sacrifices for stability, but in the single European market we cannot survive if we compete against each other for low wages and low protection," he said.

Labour remains transfixed by the need not to give the slightest hint of a rapprochement with British unions. Yet as one of Mr Byers' German hosts suggested, job cuts announced at Ford in England may have served as a lesson that some of Britain's inward investment may be built on sand.

Assumptions on worker flexibility questioned

By Robert Taylor, Employment Editor

The UK labour market is widely seen as a "flexible" model compared with more rigid systems in mainland Europe, but the latest Social Trends report from government statisticians paints a complex picture, casting doubt on how flexible the country's labour market is.

It appears that the length of job tenure and turnover among full-time employees has "changed very little over the past ten years", falling marginally for men from 9.4 to 8.9 years but increasing for women from 6.5 to 7.1 years.

The proportion of workers in "temporary" jobs in 1995 was 7 per cent or around 1.5m (6 per cent for males and 8 per cent for females). Only Austria and Belgium within the European Union have a lower number of workers in temporary employment. Around 40 per cent of UK temporary workers said they had a temporary job because they could not find a permanent one.

A quarter of workers were in part-time jobs last year, or 8 per cent of men and 45 per cent of women. The number of women in part-time work rose by 18 per cent between 1986 and 1996 to 5.3m and the number of men doubled to 1.2m.

Full-time employees are working much longer hours than 10 years ago. In spring 1996 the average number of hours worked a week by men was 45.8 hours compared with 44.5 hours in April 1978. The increase for full-time women was from 37.5 hours to 40.6 hours. The longest hours worked last week were by full-time managers and administrators (48.4 hours) and the lowest by clerical and secretarial staff (41.8 hours).

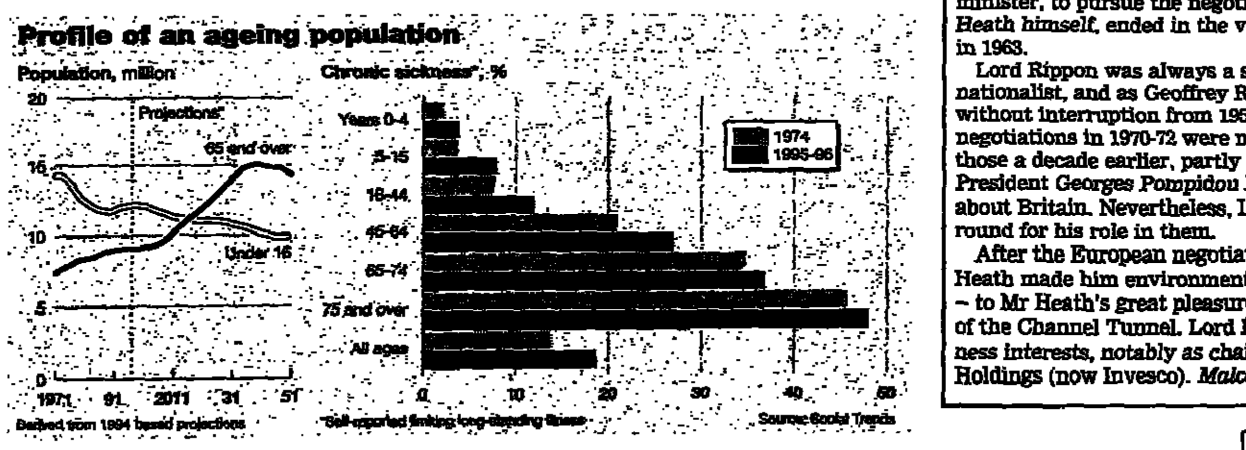
British employees work more hours than any others in the European Union. In 1995 61 per cent of employees said they had worked at least some time on a Saturday and 41 per cent on a Sunday.

While only 14.5 per cent of men worked flexible hours, 20.6 per cent of women did so. A quarter of workers received more than five weeks' holiday a year and 10 per cent more than six weeks.

OFFICIAL SURVEY OF SOCIAL TRENDS

Britain is a nation of pet lovers, Social Trends confirmed yesterday, with more cats and dogs than children, Nicholas Timmins writes. Researchers were surprised by the finding that half the households in the UK owned a pet.

Most dog owners – 80 per cent of them – settle for one dog among the 6.6m in the UK. But 35 per cent of cat owning households have more than one, taking the cat population to 7.2m. Dogs were the most common pet until 1993, when cats overtook them – a function of more people living on their own and more two-salary households. There are an estimated 1.4m pet rabbits.



Illness clouds longer life expectancy

By Mark Suzman, Social Affairs Correspondent

People are living longer, but increasingly their last few years are seriously affected by a health-related disability or chronic sickness, the Social Trends survey shows.

The steady increase in life expectancy over the past 100 years is continuing to rise by about two years a decade, and in 1994 stood at 74 years for men and 79 for women.

About half the improvement is due to continued reductions in infant and child mortality, with better control of infectious diseases, particularly through immunisation, also contributing.

However, the survey showed that the proportion of people reporting a chronic sickness – defined as a long-standing illness, disability or infirmity – has risen steadily over the past 20 years.

In all age groups a higher proportion of men and women reported chronic sickness in 1995-1996 than in 1974, with the total currently standing at 19 per cent of the population, up from 14 per cent 20 years ago. The likelihood of suffering from such a disability rises steadily with age.

Using that information, the survey has calculated a special indicator – healthy life expectancy – which estimates how long people live before becoming subject to a limiting, long-standing illness. In contrast to the steady rise in overall life expectancy, this figure has been almost constant between 1976 and 1992, fluctuating at about 59 years for men and 62 years for women, suggesting that the extra years of life gained are no longer necessarily healthy ones. However, because the measure is based on subjective assessments, the changes over time could reflect changes in people's expectations of health rather than an actual increase in serious illness.

The survey also found that one person in three develops a cancer at some time during their life while cancer now accounts for one in four deaths. However, the types of cancer suffered differ by sex.

Lung cancer remains the most frequently reported cancer for men, although incidence rates fell by around 20 per cent between 1979-1991. For women, breast cancer is by far the most common cancer.

TECHNOLOGY

Daily routine: a nurse teaching a young diabetic child to inject herself with insulin

Science Picture Library

A promising genetic path

A scientific breakthrough has linked two genes that cause a form of diabetes, says Daniel Green

Most people reading this newspaper know someone with diabetes. The condition affects up to one in 10 people at some time in their life and about 120m have the disease worldwide.

There are strong medical and commercial incentives to hunt for new treatments since today's sufferers manage only to stave off serious ill-health for a while. And since diabetes runs in families, gene hunting sounds a promising approach.

But discovering what is genetic about diabetes is tough. The condition is not one disease but a cluster of them. Patterns of inheritance vary geographically and medically within the cluster.

The past few weeks have brought new hope that genetics may after all be a rewarding route. A scientific breakthrough has identified some genes that cause a rare form of diabetes. More importantly, a dozen teams from around the world have shown that one of the genes effectively controls another. This may not sound much, but it has implications not only for diabetes but for any disease with complicated genetic causes.

Diabetics have too much sugar in their blood from time to time. This simple failing can lead to a range of illnesses including heart, kidney, nerve and blood vessel disease and blindness.

The fault lies in insulin, the hormone responsible for controlling blood sugar levels. In diabetics, the insulin is either not secreted properly because the cells that make it are damaged, or not working well once secreted. This is called insulin resistance and its cause is unknown.

The 5 per cent to 10 per cent of sufferers who need insulin injections normally fall into the first category and are called Type I diabetics. Their problem is usually the result of an immune system attack on their own cells that make insulin. They are likely to contract the disease before they are 30.

Most diabetics are Type II. They usually contract the disease in middle age and can control their condition through diet.

Studies of identical twins show that the two types are inherited in different ways.

Perhaps 30 per cent of Type I diabetes sufferers can trace a genetic link. The rest rely on as yet unidentified external triggers that make the immune system attack the pancreas. Candidates for triggers include components in cow's milk, and viruses.

But almost all Type II sufferers have a parent with the disease. So powerful is the genetic link that about one in four children with just one Type II diabetic parent will eventually contract the condition.

That complexity is, however, only just the start. The number of Type II diabetics is growing quickly and therefore non-genetic factors are also important.

"There are about 100m Type II diabetes sufferers in the world now but this figure will double by 2010," says Jose Caro, president of diabetes research at US drugs company Eli Lilly, the biggest US supplier of insulin.

He says that this rate of growth is largely because people in developing countries, especially in Asia, are living into late middle age, the point at which those people genetically susceptible to diabetes start suffering from the condition.

In addition, improving living standards leads to a more sedentary lifestyle and more overweight people. Obesity correlates closely with diabetes.

"You can see how prevalent the genetic predisposition must be for this rate of increase," says Caro. "90 per cent of the extra 100m will be in Asia."

Mads Krogsgaard, head of healthcare discovery at Novo Nordisk, the Danish company that is Europe's biggest insulin supplier, underlines the complexities that are emerging from the study of the spread of diabetes. "There seem to be a lot of subdiseases that mix lifestyle with a predisposition from many genes," he says.

So how can genetics researchers even begin to find their way through this mess?

The very complexity of the disease allows for relatively rapid progress in scientific terms, by identifying rare subtypes of diabetes that are simple mutations.

"There were already two genes discovered by 1993," says John Bell of the Wellcome Trust Centre for Human Genetics at Oxford University.

Those discoveries triggered work by many groups around the world in academia and in the private sector.

Last month came the latest discoveries. Researchers at the University of Chicago and 10 other institutions analysed a rare form of diabetes called maturity-onset diabetes of the young (Mody) that was known to be inherited in a simple way. One gene was already known, and the researchers have discovered two more.

What is exciting about the discovery is that two of these genes are linked: essentially, one controls the other.

This part of the discovery is critical to turning the science of genetic research into medicine. In a complicated genetic condition such as diabetes, there is little prospect for a genetic treatment that would fix all of the many genetic defects that could lead to the disease.

But since any of these genetic flaws leads to diabetes, researchers hope that by following the biochemical pathways that start with each gene, they will find a meeting point. Discovering such a biochemical keystone for the disease would point to a simple treatment to fix it.

The daunting task of analysing hundreds of pathways remains. But the encouraging news is that the first link has been established.

It is difficult to convey the excitement that this discovery has generated.

Hard-headed commerce is as enthusiastic as the academic scientists, but equally willing to underline the scale of the task.

"If understanding the genetics of diabetes were a 10,000 metre race, then we have run the first 100 metres," says Caro of Eli Lilly.

The series on genes and disease continues next month with a look at addiction. The Weekend FT on Saturday will have an article on alternatives to injection for diabetics

Hard lesson in news

When scientists start fighting over who made a discovery, you can be sure something important is going on. That is what has happened over the latest finding in the genetics of diabetes.

The discovery, described in the main article, was made by academics who not only identified genes that cause a form of diabetes but showed that one of the genes effectively controlled another.

This is important because genetics researchers want to find out *how* genes make their influence felt: until now, genes have been linked to diseases but not to each other. Each gene is important, but how?

The latest work was published in the journal Nature. In the same issue, Nature's editorial attacked US biotech company Millennium Pharmaceuticals which just sent out press releases describing its progress in diabetes genetics.

Nature accused Millennium of releasing a "non-informative" press release. "Business news it may be, but hard science news it isn't", said Nature.

Millennium says Nature was wrong to imply the company was trying to steal a march on its academic competitors, and that it had been obliged to release the news by US securities rules.

DG

Worth Watching · Vanessa Houlder

Painter's good decorative order

Innovations in the paint industry tend to be few and far between. But ICI Paints and Black & Decker, the power tool manufacturer, believe they have made a real advance in the DIY market, by developing an automated device for applying paint.

Instead of the painter having to stop painting to dip a brush into a tin or tray, the Paintmate system ensures that paint continuously flows onto the brush or roller. That could cut the time taken to decorate a room by up to 30 per cent, the manufacturers say.

The Paintmate, which is about 38cm high by 20cm wide and can be worn on the user's back, stores a 'handypack' of paint, which is linked by a hose to a roller or paintbrush. The flow of paint to the roller or brush is controlled by a trigger on the handset and is driven by a battery-powered bellows in the body of the Paintmate. The Paintmate will become available in April at a cost of about £40.

Black & Decker: UK, tel (0)1753 574277; fax (0)1753 512365.

Online links for catalogues

One of the limitations of electronic commerce is the time and effort it takes to check out comparable products listed in various online catalogues.

Stanford University has demonstrated a way round this problem by linking on-line catalogues for household goods in a way that allows the user to search and compare their contents, even when different manufacturers use different terms for equivalent features.

The system, called Infomaster, can also be used as a market research tool and to search for information in databases.

Stanford University: US, tel 415 7232558; fax 415 7250247.

Tapping into a fuel reservoir

The huge quantity of methane stored in marine sediments in the form of gas hydrates – solids formed from a combination of gas and water – is increasingly attracting scientific attention.

Interest stems from the possibility that these hydrates could form the earth's largest fossil fuel reservoir, together with a suspicion that the release of methane from these sediments could have a role in climate change.

A better understanding of hydrates would also be helpful to stop hydrates from plugging up deep water pipelines.

In a paper in today's Nature, researchers describe a reservoir at the Blake ridge in the western Atlantic. By drilling a series of holes through the Blake ridge hydrate layer, geologists at the University of Michigan found evidence that about 15bn tonnes of carbon is stored as solid gas hydrate, with an equivalent or greater amount as gas bubbles in the sediments underneath.

But the practical importance of the reserves are questionable because they are thinly spread, at great depth and dangerous if drilled.

University of Michigan: US, tel 3137641435; fax 3137634690.

Baby monitor innovation

Scientists at Keele University are developing a bio-sensor that will allow oxygen levels in premature babies to be monitored continuously.

The lifetime of existing sensors is often limited because they become coated in proteins that affect their reliability. The research team, which is funded by the Action Research charity, has developed a material for the sensor that mimics the red blood cell membrane, preventing proteins from sticking to it. Preliminary tests show that the sensors work reliably after two or three days.

Action Research: UK (0)1403 210406; fax (0)1403 210541.

Cinema/Nigel Andrews

Love letter to the Bard

The immensely endearing *Looking For Richard* is a love letter to William Shakespeare from Al Pacino. The "Richard" is Richard III, a role this actor spends two hours adoring, analysing, acting bits from, and generally kibitzing about in this feature-length diary-documentary about an actor's craft.

The pretext for Bardophilia is a New York workshop production Pacino is rehearsing with friends. We are never sure if this actually happened or was just staged for the camera. But what matter, since it assembles unlikely talents in a winning get-together? "Friends" in Pacino's case mean Alec Baldwin (Clarence), Winona Ryder (Lady Anne) and Kevin Spacey (Buckingham). Meanwhile other pals pop up, in civvies and English accents, to talk about the virtues and challenges of Shakespeare, including Vanessa Redgrave, John Gielgud and Kenneth Branagh.

With friends like these who needs mega-dollar casting budgets? Pacino's Shakespearian rag bops along happily, using its multiple minds and voices like instruments in a jam session on the theme of classical theatre. Peter Brook sounds a solemn, scholarly quaver early on, soon after Pacino has done his first "Now is the winter" rendition. "The key word clearly right from the start," says Brook, "is 'discontent.'" Then the august babble of limey cerebration – Redgrave invoking the "pentameter of the soul", Gielgud lamenting that Americans don't read or go to museums enough – is mixed in with the loud and irresistible sound of yanks doing their own thing.

Incongruity triumphs. Pacino's Crookback dons cloak and crown to croak and softly snarl, at times like an East Side hoodlum teleported to 15th century Westminster. "Dawgs bark at me as I pass by them," he intones, and later he Pacino-speaks about "wascals and wunaways." Yet he is good enough to make these demotic twanglings seem part of a plausible Richard, one digitally remastered for the age of *The Godfather* and *Scarface*.

The film is not just about Shakespeare but about the whole bizarre legerdemain of the actor's craft. How much, in any role, should be the player and how much should be the part?

Donning enough new personalities each year to qualify for a full schizophrenia licence, the professional mummer must bring a good portion of himself/herself to each role merely to remain sane. *Looking For Richard*, for instance, was clearly shot over months, even years, since at one moment Pacino has a thick grey stubble, at another is clean-shaven, at yet another wears a full black beard (circa *Carlito's Way*).

Somehow he can switch on his Richard, though, whenever he wants. And we accept that as a good chameleon he can riffle through all these American personations at the same time as directing, writing and acting in this piece of DIY Olde England.

Even the film's miscalculations somehow pay off. When Pacino visits Shakespeare's Stratford home, the hot camera lights set off an alarm in the bedroom, causing much jocose confusion. It is not all that funny (frankly, it seems staged). But it is of a piece with this vision of acting where times, places and realities can all be wildly at odds, yet where the good actor, in Pacino's words, will unerringly "find the role."

★

If actors are licenced schizophrenics, what of directors? Should they too be let out into the community? As a valued native film-maker Ken Loach has long been granted the freedom of Britain, despite an intermittent tendency to climb soapboxes and gibber about his own and other lands. Thus for every *Riff Raff* or *Raining Stones* we have a *Hidden Agenda*, a *Ladybird Ladybird* or now a *Carla's Song*.

This is a film in two sundered parts. In the first, a bus driver (Robert Carlyle) falls for a Nicaraguan refugee (Oyanka Cabezas) in 1980s Glasgow. In the second, he follows her to Nicaragua, where everyone sings and fights for the new dawn and where Scott Glenn as a Sandinista-sympathising human rights activist sounds off about America's brutal enactment (so alleged) of its rebel aid policy.

This is agenda filmmaking, where barely a single character is allowed the right of moral or dramatic self-determination: each must fit into the polemic. Even *Riff Raff's* Carlyle, a puckish Scot with questing eyes and wonderfully alert responses, cannot bridge the gap here between the film's early, fluent scenes of human comedy – the rows with officialdom, the idiosyncrasies of street life, the hijacked bus threading a misty mountain road – and a second act tyrannised by ethnic stereotype and propaganda.

"It all came out of Langley," drawls Glenn, listing the notional enormities of the CIA. But this movie has all come out of the worst traditions of political drama, where human beings are fractions in an agitprop equation rather than free integers in a real world.

★

Ransom, directed by Ron Howard, is a finely tooled suspense thriller about a kidnapped boy (Brawley Nolte), a harrowed mother (Rene Russo) and a businessman father (Mel Gibson) who decides to tough out, or bluff out, the ransom-seekers. To the dismay of Russo and the lip-licking outrage of the media, he refuses to pay the two million dollars they demand. Instead he risks the boy's life by offering an equivalent bounty sum for the kidnappers' capture.

Though we are in New York, cameraman Piotr Sobocinski's expressionist colouring is more Edvard Munch than Edward Hopper. Everything is a subtle touch more lurid than the everyday, and the escaped toy balloons that betray the boy's disappearance from Central Park could be blobs of paint drifting free from the suspense palette. Clever cross-cutting between Gibson's home and the kidnap hideaway adds to the disorienting visuals. And the screenplay by Richard *Clockers* Price is a beautifully crafted study in seesawing psychopathologies: the increasingly rabid victim versus the increasingly nervy villains (Gary Sinise, Lili Taylor).

Howard is a director who needs a good script: witness the gulf between his best movies (*The Paper*) and his worst (*Far And Away*).

Of Britain's Michael Apted we would probably say the same, if we could only remember the last time he had a good script. *Extreme Measures* is a load of old hospital twaddle: *ER* meets, or suffers from, *Coma*.

Hugh Grant, playing it straight, is the harassed surgeon who sounds as if he did pre-med at Eton. And Gene Hackman is the venerated neurologist who is secretly using the hospital's human cast-offs for nasty spine-cutting and nerve-growing experiments.

We soon wonder if our own spines have been sinisterly atrophied, since they fail to chill at any of the supposed horrors: even though, to help us along, Hackman's cronies are called Frank Hare and Detective Burke (geddit?) and we are regularly bombarded with chases, squishy surgical scenes and the screams of patients in distant wards. "Probably just read her bill or something," quips Grant at one point, which suggests that comedy might have been a stronger suit to play from the beginning.

LOOKING FOR RICHARD
Al Pacino

CARLA'S SONG
Ken Loach

RANSOM
Ron Howard

EXTREME MEASURES
Michael Apted

Al Pacino: a plausible Richard digitally remastered for the age of 'Scarface'

Opera/Andrew Clark

Temporal rather than spiritual 'Palestrina'

In mounting the first British professional production of Pfitzner's *Palestrina*, the Royal Opera has assembled all the ingredients necessary for success: a cast of festival proportions; a conductor who makes every phrase tell; a producer with an eye for precise characterisation; a designer capable of evoking the period and setting prescribed by the composer. Why, then, does *Palestrina* fail to cast its spell?

The picture which emerges at Covent Garden is of a near-masterpiece rather than a work of peculiar genius. The text is poetry, as we hear in the proud declamation of this cast. It tells a fascinating story, of the loneliness of creativity, of the ugliness of temporal power, of spiritual humility – and Nikolaus Lehnhoff's staging unfolds it with admirable simplicity. The music is solid, well-constructed, spattered with inspiration, as Christian Thielemann's reading makes clear. But *Palestrina* needs more than naked fidelity if its qualities are to be revealed under the spotlight of performance.

Or so it seemed on Tuesday. The criterion of a successful production is its ability to knit together all these constituent elements, to conjure the sense of an all-embracing vision, drawing the audience into Pfitzner's and Palestrina's world. And not only conjure it, but maintain it for nearly four hours and leave it glowing afterwards. At the crucial points of the opera, Lehnhoff's staging fails to cast this aura. Instead, it lays bare the work's weaknesses – its long-windedness, its two-operas-in-one dramaturgy, its failure to capitalise on sparks of musical inspiration.

Lehnhoff and his designer, Tobias Hoheisel, succeed in the detail but miss the bigger picture. Lehnhoff's *Personenregie* creates an individual out of every character – no mean feat with a cast of 42, plus chorus. The psychological power-play between Palestrina and Borromeo, composer and cardinal, is established from the start, and reaches a moving climax in Act 3. The "backstage" atmosphere at the start of Act 2 is particularly well handled: the world of preening prelates – a cesspool of intrigue, eavesdropping, gossip-mongering, imbibing, infighting – is unfurled like a vast Renaissance canvas, squeezed round Hoheisel's convex corridor-wall.

But at the opera's dual heart – Palestrina's mystical communion with the dead in Act 1, and the rising cacophony of the Act 2 assembly – the production crosses the footlights with a dull thud. The apparition of Palestrina's musical ancestors is handled too literally; the contrast between day and night, worldliness and otherworldliness, is never established, and the resulting ritual is like a pale copy of *Parsifal*.

In the dictation of the mass, Thomas Moser's Palestrina wields his pen with the mechanical ruthlessness of a teacher scoring out a pupil's homework; his late wife's spirit is an inanimate nude, posing under a tree like a blonde Teutonic beauty. The scene is devoid of spirituality.

The intimacy of the Act 1 setting should find its polar opposite in Act 2. But Hoheisel's decor for the Council of Trent is little more than an enlargement of Palestrina's study, with the same pale, boxy Renaissance architecture. Where the setting calls for size, scale, a sense of teeming grandeur, the production substitutes a classroom of expensively dressed jack-in-the-boxes.

Moser's reedy tenor and troubled exterior are well-suited to the title role, but he never quite convinces us of Palestrina's moral and creative depth. Randi Stene's Silla and Ruth Ziesak's Ighino offer particular pleasure – the former with her rich, juicy portrait of adolescence, the latter for her heavenly high soprano and boyish innocence. Alan Held is an intelligent, intensely human Borromeo, while René Pape carries off Pius IV with dignified aplomb.

In Act 2, the Royal Opera has turned a casting director's nightmare into a dream team: Robert Tear's comedy-turn as the back-packing Bishop of Budoja almost steals the show, closely followed by Kim Begley's snake-like Novagerio. Kurt Rydl, Peter Rose, Gwynne Howell and Thomas Allen (not sounding his best) offer useful cameos, while Ekkehard Wlaschiha and Sergei Leiferkus grace the smallest parts. Nicolai Gedda, the distinguished Palestrina in the Kubelik recording, is a properly patriarchal Abdisu.

It is left to Thielemann to impose some sort of coherence on this unwieldy material, and he does so with conviction and fluidity. He persuades us that *Palestrina* lives somewhere between *Verklärte Nacht* and *Rosenkavalier*, underscoring the transparent, transcendental quality of Act 1 and the baroque expansiveness of Act 2. He also reminds us that Pfitzner was a master-orchestrator who never covers his voices.

The production is due to visit New York in the summer, and will later be restaged in Rome and Dusseldorf. It is a noble effort, but not the triumph the Royal Opera needed or deserved.

Sponsored by the Esmée Fairbairn Charitable Trust, the Drogheda Circle and the *Friends of Covent Garden*.

Concert

Switched on ensemble

Touring under the auspices of the Arts Council's Contemporary Music Network, the California E.A.R. Unit played the Queen Elizabeth Hall on Tuesday. The CMN has always leaned toward "cross-over" ensembles, and the E.A.R. Unit is a particularly good one – though its repertoire sometimes leaves its excellent musicians playing stuff that signally fails to test them.

Their composers range from John Cage, Terry Riley and John Adams to the incomparably more demanding Elliott Carter, whose *Enchanted Preludes* (1988) and *Figment* (1994) were played with full-hearted spirit here by Dorothy Stone and Erika Duke-Fitzpatrick (flute and cello). The make-up of the group is exactly like our late Pierrot Players, born again as The Fires of London but now also "late": the quintet of Schoenberg's *Pierrot Lunaire*, plus a percussionist or two.

The E.A.R. Unit goes in for a lot of electronics besides. Whether or not electronic manipulation is part of the piece, everything is routinely amplified – but I was struck by how much cleaner, and better, Adams' *Road Movies* had sounded when a London Sinfonietta duo played it in this hall last year, without artificial aids.

Undoubtedly the E.A.R.'s violin and piano, Robin Lorentz and Vicki Ray, boasted an extra degree of native swing in this minimalist music. What got transmitted, however, was what you would hear from unnaturally close-to, with all those extraneous thumps and resonances that normally decay before they reach the audience. Such intimate gunge has no useful role to play in Adams' highly synthetic music.

Along with the Carter pieces, it was Terry Riley's *Four Wölfli Portraits* that brightened this concert most. (Earl Kim's *Dear Linda* was mawkish; the neo-brutalist Louis Andriessen's *Zilver* is one of his tamer exercises.) Riley is an incorrigible original whose 1964 *In C* fired the imaginations of thousands of musicians, probably inadvertently. Adolf Wölfli was the celebrated turn-of-the-century Swiss schizophrenic who painted incessantly.

Emphasising its hi-tech image, the E.A.R. Unit had several of his curious images blown up on-screen whilst they played Riley, which were beside the point. Riley's unclassifiable music, which has developed along wayward paths since *In C*, is irresistibly disarming, whether silly or inventive or eccentrically visionary – not so unlike what the Argentine joker Mauricio Kagel does, in sober Germany.

Amidst Riley's *Portraits* here, a strutting March and a delectably funny Polka won all hearts, original and inimitably blithe. Riley and Kagel pipe invaluable grit into the academic oysters who count as our up-and-coming composers.

David Murray

INTERNATIONAL ARTS GUIDE

■ BANFF

EXHIBITION
National Gallery of Scotland Tel: 44-131-5568921
● Works by Goya from the National Gallery: exhibition at Duff House of works by the Spanish artist Francisco Goya, coinciding with the 250th anniversary of the artist's birth. The centrepiece of the exhibition is the National Gallery of Scotland's sole Goya painting, "El Médico", but the main focus is on Goya's etchings and aquatints. The display features some 40prints; to Feb 16

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● The Berliner Philharmonisches Orchester: with conductor Marcus Creed and narrator Udo Samel perform works by Schubert; 8pm; Jan 31

EXHIBITION
Kupferstichkabinett Tel: 49-30-26629598
● Giovanni Battista Tiepolo und sein Atelier: this exhibition celebrating the 300th anniversary of Tiepolo's birth features some 60 drawings and etchings by the Venetian master. Also on display are some 40 works from Tiepolo's workshop, mainly produced by his sons Giandomenico and Lorenzo; to Mar 2

■ COPENHAGEN

OPERA
Det Kongelige Teater Tel: 45-33 69 69 69
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Heinz Fricke, performed by the Royal Danish Opera. Soloists include Bent Norup, Stig F. Andersen and Tina Kiberg; 5pm; Feb 1

■ DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● RTE Vanbrugh String Quartet: with cellist Robert Cohen and pianist John Gibson perform works by Schubert. Part of the bicentenary of the birth of Schubert celebration; 3.15pm; Feb 2

■ EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● Lucian Freud: Early Works: exhibition of 25 paintings and drawings made by Freud before and during the second world war. On display will be the artist's first oil painting and his only sculpture, a sandstone horse carved in 1937; to Apr 30

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● Joanna MacGregor: the pianist performs works by Messiaen; 4pm; Feb 2
St. John's, Smith Square Tel: 44-171-2221061
● London Schubert Players: with conductor Robert Gutter, pianist Anda Anastascescu and clarinettist Nicholas Carpenter perform works by Schubert, Williamson, Bolcom and Donizetti; 7.30pm; Jan 31

EXHIBITION
British Museum Tel: 44-171-6361555
● Heirs of Rome: the shaping of Britain AD400-900: exhibition examining the decline and fall of Rome and its empire and the early medieval period in Europe that followed. On display are pieces from the collections of the museum and the British Library and, displayed for the first time outside Scotland, the newly restored stone shrine from St Andrew's cathedral; to Apr 20
Tate Gallery Tel: 44-171-8878000
● Turner in the North of England, 1797: this exhibition focuses on the tour J.M.W. Turner made to the north of England in 1797 at the age of 22. It is being staged in collaboration with Harewood House to commemorate the bicentenary of the tour. At the centre of the display are the two large leatherbound notebooks which Turner filled with nearly 200 sketches during the two months he spent away from London. Also several paintings and watercolours are shown, including the oil paintings of Buttermere Lake and Coniston Fells; to Feb 9

■ LOS ANGELES

EXHIBITION
The J. Paul Getty Museum Tel: 1-310-459-7611
● Figure Drawings: an exhibition of 26 works from the museum's collection, dating from the 16th through 19th centuries. The drawings range from nude figure studies to images of people at work and leisure; to Apr 6

■ MUNICH

OPERA
Cuvilliés-Theater - Altes Residenztheater Tel: 49-89-296836
● La Traviata: by Verdi. Conducted by Jun Märkl and performed by the Bayerische Staatsoper. Soloists include Christina Gallardo-Domâs, Silvia Fichtl, Helena Jungwirth and Christiane Hoefler; 7pm; Feb 2

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Warsaw Philharmonic Orchestra: with conductor Kazimierz Kord and pianist Zoltán Kocsis perform works by Lutoslawski, Mozart and Rimsky-Korsakov; 2pm; Feb 2

EXHIBITION
The Pierpont Morgan Library Tel: 1-212-685-0008
● Around Tiepolo: 18th Century Venetian Drawings in The Pierpont Morgan Library: featuring about 20 works from the library's extensive collection of drawings by 18th century Venetian artists, this small exhibition complements the major loan show of work by Giambattista Tiepolo and his immediate circle. The exhibition consists of works by such contemporaries of Tiepolo as Sebastiano as well as Marco Ricci, Piazzetta, Canaletto, Fontebasso, Guardi and Piranesi; to Apr 13

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Le Nozze di Figaro: by Mozart. Conducted by Leopold Hager, performed by the Metropolitan Opera. Soloists include Hei-Kyung Hong, Barbara Bonney and Dawn Upshaw; 8pm; Jan 31

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Katia Ricciarelli: the soprano performs works by Vivaldi; 8.30pm; Feb 3

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Jean Tinguely: exhibition of pieces by the French sculptor whose work was heavily influenced by Dada and Surrealism, producing purposely amateur machinery as a satire on the new technological world; to Apr 21

■ VIENNA

EXHIBITION
20er Haus Tel: 43-1-7996900
● Alighiero Boetti: exhibition examining the work of the Italian artist, featuring 60 pieces, including his world maps, mail projects and large-scale embroideries; from Jan 31 to Mar 31

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Tosca: by Puccini. Conducted by Oren and performed by the Wiener Staatsoper. Soloists include Coelho, Serdar, P. Dvorsky and Slabbert; 8pm; Feb 2

■ WASHINGTON

MUSICAL
National Theatre Tel: 1-202-628-6161
● Whistle Down the Wind: by Lloyd Webber/Steinman. Directed by Harold Prince. The cast includes Irene Molloy, Davis Gaines, Candy Buckley and Lacey Hornkohl; Tue - Sat 8pm, Sun 7pm; to Feb 9 (Not Mon)

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European Money Wheel

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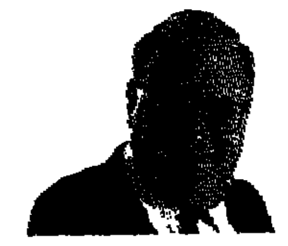
COMMENT & ANALYSIS

Economic Viewpoint · Samuel Brittan



Not all markets are equal

Successful economies depend on the enforcement of individual rights to property, but wider human rights should also be safeguarded

Neo-liberal economists are often accused of making a god of the market. There is truth in this charge, but not in the way their opponents suppose.

Markets of some sort are ubiquitous. Indeed, they are much more evident in third world countries than in the capitalist west. Many people with low incomes in poorer countries earn their livelihoods by activities such as peddling goods on the streets, repairing cars or equipment, or offering transport in old cars, vans or buses.

Markets were also widespread, even though less visible, in the former communist countries. They had their share of street-traders. But much the most important markets were the informal networks that developed between state-owned enterprises. No national plan could predict how much was needed by each enterprise in materials and components. To prevent production from seizing up, managers had to get together in numerous informal exchanges.

Thus a distinction has to be made between the kinds of market that help propel a society into western-style growth and those that do not.

One economist well known for his willingness to speculate on such bigger questions is Professor Mancur Olson of Maryland university. In his book *Capitalism, Socialism and Dictatorship**, he describes the elementary markets that develop everywhere as "self-enforcing". Parties have to fulfil their part in a transaction pretty quickly – without payment there is no exchange – or it does not take place. Such markets have enabled countries to sustain a much higher level of output than would otherwise have been possible.

The kind of market associated with rapid economic growth is very different. The keynote, says Prof Olson, is long-term contracts and a transfer of resources from the rich and elderly to vigorous entrepreneurs who can use them profitably.

The first conclusion Prof Olson draws is that market regimes will be effective only if individual rights are enforced. In other words, to realise all gains from trade, there has to be a legal system and a political order that enforces contracts, protects property rights, carries out mortgage agreements, provides for limited liability or the equivalent, and facilitates a capital market that ensures liquidity of investments or loans.

A second condition for a thriving market economy is what Prof Olson calls "the absence of predation". An extreme case is when autocratic governments abrogate the rights of their subjects by confiscating property or repudiating contracts. Less extreme examples occur when special interest groups obtain legislation – the biggest example being the European Common Agricultural Policy – or regulation which allows them to establish cartels to fix prices or wages.

Until the disillusioning experience of the post-communist countries, such background considerations were regarded by economists as too obvious or insufficiently mathematical to be worth discussing. Prof Olson has performed a service by going beyond incantations on the need for law and order to a much more precise description.

It was John Maynard Keynes who emphasised that no one could make general and reliable forecasts. The only feasible way of coping with uncertainty is to have many different people trying many different things. Inevitably some will go out of business and others make huge profits. The latter are those who have succeeded – as often by luck as by judgment – in meeting public demands or sensing the development of technology.

If a society will not allow unsuccessful enterprises (or even whole industries) to go to the wall, it will suffer from its local version of Eurosclerosis. The same will apply if it begrudges those who have become rich the fruits of their undertakings.

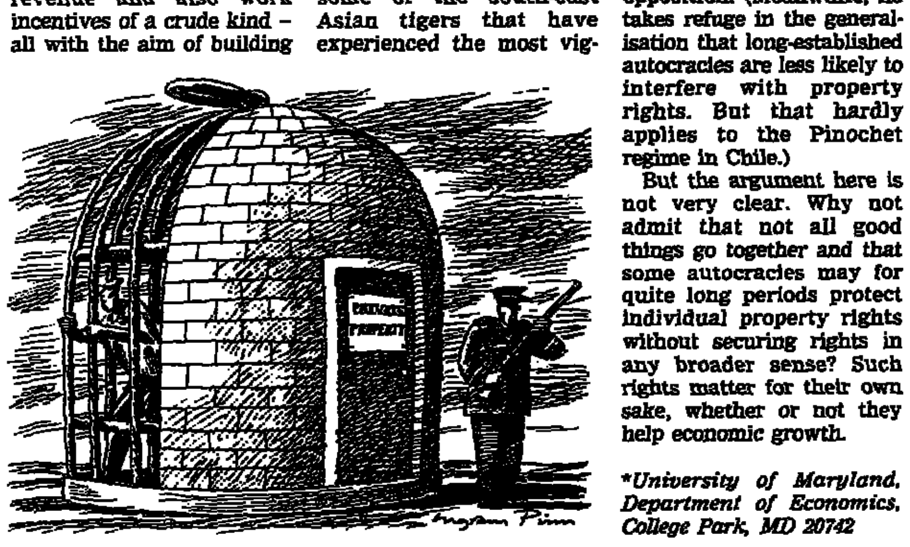
Prof Olson's message will not, however, comfort those zealous private enterprise "libertarians" who would like the state to wither away. In a slogan which could come in handy to a hard-pressed speechwriter for Mr Tony Blair, leader of the UK Labour party, he says: "There is no private property without government." Otherwise, "individuals may have possessions the way a dog possesses a bone. But there is private property only if society protects and defends the private right to that possession against other private parties and against the government as well."

Prof Olson applies property rights analysis most tellingly to the former Soviet Union. The Stalinist regime there was extremely effective in maximising tax revenue and also work incentives of a crude kind – all with the aim of building the state's military might.

Later, effective property rights passed inexorably to the enterprises from which the surplus had formerly been extracted. The nomenklatura that ran them became the main obstacle to reform, as well as a source of inefficiency and of inflationary demand for credit. What matters now is not the speed of privatisation but how vigorously the nomenklatura can be "liquidated".

The author throws out the provocative suggestion that advance has been faster in China because the Cultural Revolution – in spite of disastrous short-term effects – did destroy the old nomenklatura and enable a new market economy to be based on individual incentives.

Readers must be warned against an unintended sleight of hand in the use of the term "individual rights". To most liberals such rights include the absence of censorship, limits to police powers, reasonably open government, the rights of suspects in criminal trials and the prohibition of cruel and unusual punishments. These conditions were only partially present in 19th-century societies and are hardly present at all in some of the south-east Asian tigers that have experienced the most vigorous economic growth.



Prof Olson's main line of argument is that individual rights are most clearly safeguarded in democracies and that these are most likely to secure economic progress. Thus it is no accident that developed democracies, with the best established individual rights, are also the societies with the most sophisticated and extended transactions and with the highest per capita income. Even in these societies, eternal vigilance is required to safeguard individual rights.

But for some contemporary tigers in south-east Asia and elsewhere, a further distinction must be drawn. It is ridiculous for neo-liberal economists to publish league tables of so-called economic freedom in which rightwing autocracies come above the more tolerant societies of western Europe. Prof Olson mercifully does not do this, but he may give some comfort to those who do.

It is not quite clear how contemporary autocracies with rapid growth fit into Prof Olson's scheme. His general theory says democracy most securely protects individual rights, because those now in power know they may some day be in opposition. (Meanwhile, he takes refuge in the generalisation that long-established autocracies are less likely to interfere with property rights. But that hardly applies to the Pinochet regime in Chile.)

But the argument here is not very clear. Why not admit that not all good things go together and that some autocracies may for quite long periods protect individual property rights without securing rights in any broader sense? Such rights matter for their own sake, whether or not they help economic growth.

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BOOK REVIEW · Lionel Barber

LE SYNDROME DU DIPLODOCUS
Yves-Thibault de Silguy, Albin Michel, 251 pages, FFr98

Small brain in a big European body

These are tough times for the European Commission. The activist era of Jacques Delors is over. The flood of Euro-legislation borne by the single market has turned into a trickle. Far from being a supranational government in waiting, the Commission has lost its sense of direction.

What is to be done to restore the authority of the Commission as power-broker, umpire and cheerleader for a united Europe? Jacques Santer, Delors' low-key successor as president, has come up with the perfect post-heroic slogan: less means more. But something more basic needs to be done to restore public confidence in the institution and in the European Union.

Yves-Thibault de Silguy is the latest member of the Santer Commission to find an answer in book-writing. Others who have joined the rush to print include Sir Leon Brittan (UK), Erkki Liikanen (Finland) and Ritt Bjerregaard, the renegade Dane whose mildly critical Brussels diary caused a brief commotion.

All have tried to explain to the ordinary citizen the reasons for European co-operation, how decision-making works, and what needs to be done for the future. Their efforts are timely because these are the issues at the heart of the Maastricht treaty review conference, the rolling series of negotiations on Europe's constitutional future which are expected to end in the middle of this year.

As de Silguy admits, his insider credentials make him something of a suspect character when it comes to writing a popular book about Europe. He is a member of the French bureaucratic elite, a Breton with aristocratic blood who served as a backroom adviser to Gaullist prime ministers Jacques Chirac and Edouard Balladur. He rose to prominence in the closing stages of the Gatt Uruguay Round in 1993; the Americans remember him as a bloody-minded defender of French agricultural interests. His reward was to be sent to Brussels, where his job is to sell the single currency to the ordinary citizen.

De Silguy's thesis is that the EU must reform its institutions and its decision-making or go the same way as the diplodocus. The EU's body has expanded steadily, but the brain – that is, the capacity to act – has stayed the same size. In order to survive, the Union must adapt to a new post-cold war environment characterised by rapid technological change, free movement of capital, and political instability caused by nationalist and ethnic rivalry in eastern Europe and Russia.

The minimum requirements for change are the launch of a single European currency to extract maximum benefit from the single market and to create a counterweight to the dollar; an overhaul of EU institutions to pave the way for eastern enlargement; and a common European defence under the Nato umbrella.

This is all pretty orthodox. What lifts the book is the author's lively style and an intellectual approach that is more liberal than might be imagined.

De Silguy dismisses calls for a tax on currency speculators and says that their activities in the markets often help to maximise pension fund returns for working people. He rejects the argument often heard in France that EU-wide liberalisation of trade in goods and services has caused social strains in France and high unemployment. On the contrary: France has been a big beneficiary of liberalisation, as its external trade surplus has risen steadily since 1990.

There are flaws in the book. In an effort to bridge the "democratic deficit" with the public, de Silguy reworks one of General de Gaulle's old ideas about holding EU-wide referendums on important political issues. But imagine a European referendum on, say, economic and monetary union in which all populations voted in favour, with the exception of the Germans. The consequences of insisting on a majority decision would be uncomfortable, to say the least.

In external relations, de Silguy writes that north Africa, the Maghreb, Latin America, Asia and the Middle East – not the US – will be the EU's chief areas of interest. The need to diversify is all very well, but bilateral transatlantic trade accounts for \$230bn annually, while the US accounts for 42 per cent of all direct investment in the EU. It would be a mistake to take this economic and political interdependence for granted.

As one would expect, de Silguy overstates the economic advantages of the single currency. The story about Mr and Mrs Euro-traveller who have to swap currencies in 15 member states and lose half of their income is fine, but most people carry credit cards. The commissioner also asserts that currency fluctuations in 1995 cost the EU 1.5m jobs and 0.2 per cent growth. There are no sources provided for this calculation.

This book is, nevertheless, a useful contribution to the debate on Europe's future. But it does not answer the question we are all waiting for in Brussels. Is there life in the European Commission after Jacques Delors?

Le Syndrome du Diplodocus is available from FT Bookshop by ringing +44 181 324 5511 or fax credit card details to +44 181 324 5678 (post and packing £1.50 in Europe)

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Optimism in progress of Russian democracy is hard to share

From Mr Mate Schreiner.

Sir, As a Hungarian, I am hurt by the constant negative coverage in some quarters of the British press when discussing the expansion of European institutions to the countries of central and eastern Europe. Your article "Dangerous liaisons" (January 22) is a prime example of this attitude.

I admire your optimism when you say that – despite the presence of people like Zhirinovsky, fervent nationalism and the historical facts that point to repeated Russian interference in the affairs of Poles, Hungarians and others – Russia no longer poses a serious threat to its neighbours.

The truth is that Russian democracy has not yet established itself (the anxiety over Boris Yeltsin's health has highlighted this), whereas countries like Poland, Hungary and the Czech Republic have made rapid progress in order to return to the European fold. To them, Nato membership is both a guarantee of security and something of a compensation for decades of Soviet occupation. US secretary of state Madeleine Albright, whose family fled from both Nazi and Soviet tyranny, understands this. It is time journalists did, too.

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Extras make French property costly

From Mr David Trafford-Roberts.

Sir, A word of caution to those who may be lured by your article "Not just in the springtime" (January 25/26) into purchasing property in France.

The French system does little to encourage liquidity in the housing market. Potential buyers should bear in mind that the costs of selling a house are typically 10 per cent of the sale price owing to high estate agency commissions; add to that the 10 per cent costs of purchasing a house owing to the excessively expensive "notaire" fee and buyers will find that a foray into the French property market costs more than 20 per cent of the actual value of the property.

Further dissuasions include a typical mortgage term of eight years with fixed interest which will tend to be at a higher rate than that given to a potential French buyer due to the numerous savings and loan incentives in operation in France. Communal charges can also be costly (since Paris is made up of flats rather than houses), to say nothing of the infamous French bureaucracy.

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UK unlikely to be in harmony on tax

From Mr M.C. Fitzpatrick.

Sir, You comment ("Much ado about taxes", January 17) on plans to harmonise taxes in the EU, particularly in the context of the likely introduction of the single currency in 1999.

One point does not seem to have been clearly made. In order for full tax harmonisation to occur, participating countries would have to be pursuing fiscal policies which ensured that each country raised broadly the same proportion of its gross domestic product in tax. A glance at the relevant figures shows that, EU-wide, this is unlikely to occur in the medium term.

Based on recent OECD estimates of tax as a proportion of GDP in respect of the 11 larger EU members, it appears these members fall into three broad categories:

- low taxers, with a tax/GDP ratio of around 40 per cent, eg UK (39 per cent) and Spain (40 per cent);
- medium taxers, with a tax/GDP ratio of around 48 per cent, eg France (50 per cent), Italy/Netherlands (48 per cent) and Germany (46 per cent); and
- high taxers, raising well in excess of 50 per cent of GDP in tax, eg Denmark (60 per cent), Sweden (61 per cent).

Two tentative conclusions can be drawn from the above figures. First, attempts to achieve complete fiscal harmonisation EU wide are pointless for the moment. Second, however, the tax/GDP ratios of the principal likely members of the single currency are reasonably convergent. This theoretically creates the possibility of single currency members proceeding towards fiscal harmonisation, perhaps on the basis of a common tax/GDP ratio of around 48 per cent.

Readers might be interested in the practical significance, in terms of tax in the UK, of the difference between the UK's actual tax/GDP ratio of 39 per cent and a notional UK tax/GDP ratio of 48 per cent. Specifically, to move from 39 to 48 per cent would involve an increase in UK taxes of around £70bn a year, equivalent to raising basic rate income tax by around 40p in the pound.

It seems unlikely the UK will ever be part of any EU harmonisation of tax.

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Right to be political

From Mr Peter Mercer.

Sir, In your editorial "A dismal Emu compromise" (January 24) you warn the prime minister, Mr Major, that, despite the latest cabinet fudge on the single currency, the Eurosceptics will not be content because their objections to Emu are political rather than economic.

In 1995 the Kingsdown Report on the "Implications of European Monetary Union" declared: "The project for economic and monetary union is essentially a political undertaking, of which the economic and monetary aspects are the practical expression."

Surely, then, a political response to a political project is only appropriate.

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Fragile side of tourism

From Mr Stuart Alderman.

Sir, I wonder if the hierarchy of the World Travel and Tourism Council ("Tourism can create 100m jobs", January 20) has considered that the huge development of tourism that it seems to be recommending will actually ruin many of the places that people might have visited, therefore producing a negative effect.

Many of us who study the ecology of tourism believe that its structure is incredibly fragile, a fact much illustrated by the horrendous developments on Spain's coasts, the general negative comment towards it and the action the Spanish government is now taking to remedy it. Perhaps the WTTC should think again?

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Japan's tax conundrum

Japan's public finances are being squeezed between an immovable object and an irresistible force. The immovable object is the Japanese economy; the irresistible force is public debt. Dealing with the public finances threatens to bring the economy to a halt once more.

US Republicans are trying to pass a balanced budget amendment to the constitution. The European Union has its Maastricht criteria.

Now, in Japan, the government plans legislation embodying a Maastricht-style commitment to lower the deficit of central and local government, from 7.4 per cent of gross domestic product to 3 per cent by 2006.

This is sensible. Gross public debt, at 87 per cent of gross domestic product in 1996, is high. True, net public debt, 14 per cent of GDP, appears nugatory. But that reflects the surpluses in the social security funds, which will become deficits as the population ages.

The ratio of net debt to GDP will converge on that for gross debt, which will itself rise steeply. According to Mr Kenji Okamura of the International Monetary Fund, the government's indebtedness could reach 370 per cent of GDP by 2050.

Mr Okamura argues that a structural fiscal contraction of 4 per cent of GDP is needed if Japan's public finances are to be placed on a sustainable basis. This judgment looks right. The Ministry of Finance, which agrees, plans to cut the structural fiscal deficit by close to 2 per cent of GDP in 1997 alone.

The danger is that such a sharp fiscal contraction will tip the economy back into recession. Certainly, it makes the official forecast of 1.9 per cent growth this year look optimistic. Last December's Economic Outlook from the Organisation for Economic Co-operation and Development forecast growth at 1¼ per cent. It could be lower.

How are Japan's public finances to be put in order, without strangling the recovery? With monetary policy highly expansionary, needed fiscal adjustments must be spread evenly over a number of years.

Private savings and investment must also move towards balance. Thus the focus in deregulation should be on measures likely to stimulate investment.

Equally, Japanese companies need to distribute more of their profits. At present, their savings are far too large to be profitably invested in a slow-growing economy, especially one no longer permitted to export its way out of trouble.

Japan's challenge is to combine long-term fiscal sustainability with short-term economic stability. The solution is far-reaching and radical reform. Ultimately, the consensus will converge on this conclusion, but only, it appears, after first trying all the alternatives.

Power plays

Mr Tony Blair is haunted by the Labour party's last experience of power. Trade unions and left-wing activists did much to enfeeble Harold Wilson's administration. They went on to humiliate James Callaghan's government. The image of Denis Healey, the then chancellor, being howled down at the Labour conference in 1976 is etched in the collective memory of Mr Blair and his fellow modernisers.

So his proposed changes in the structure and organisation of the party carry a significance well beyond the arcane detail of the respective authority of its national executive committee, the annual conference and its national policy forum.

Mr Blair's purpose is to prevent such institutions from being used again by internal critics as a power base to attack a New Labour government. The national executive, in particular, is to lose much of its influence. If Mr Blair wins the general election, he is determined that as prime minister he will hold the levers of power within his party as well as those within Whitehall.

It is a sensible precaution. The tough approach to public spending which Mr Gordon Brown, the shadow chancellor, has promised to bring to government virtually guarantees a parting of the ways with the Old Labour left and its trade union allies.

By diluting the authority of the executive, diminishing the role of conference and relying on direct endorsement from a rising individual membership, Mr Blair intends to consign the smoke-filled rooms of party tradition to Labour's history books. Once again, the leader is getting in his betrayal first.

Mr Blair, however, should not delude himself that the complex reforms endorsed yesterday by the national executive will produce an organisation suited to a modern party of the centre-left. Many of its policies will continue to be made behind closed doors. It is perhaps a sign of things to come that even these latest proposals have not been published in full.

For all the changes, the essential structure of the party will also continue to reflect the preoccupations of its early trade union sponsors nearly a century ago. The annual conference may in future be not quite so confrontational, but union leaders will still cast 50 per cent of the votes when policy is decided. Hardly New Labour.

So Mr Blair should see these reforms as no more than a temporary staging post on the road to radical change. And, for the good of both partners, that road should lead to the breaking of the institutional ties between the party and the unions.

Chechen relief

The people of the battered and brutalised republic of Chechnya, on Russia's far southern frontier, have voted in peace, and in a remarkably responsible way. Their presidential election was conducted, by all accounts, with decorum and enthusiasm, in spite of the fact that much of the country is in ruins.

Unbowed by the two-year onslaught of the Russian military machine, whose last troops withdrew only two days before polling, they still seem absolutely determined to achieve some form of independence. But they have opted for a moderate alternative, in the shape of Mr Aslan Maskhadov, their senior guerrilla commander, and the man who last year successfully negotiated a ceasefire and the Russian withdrawal.

Moscow should be mightily relieved. The second most popular candidate, Mr Shamil Basayev, remains Russia's most wanted terrorist fugitive for his role in seizing hundreds of hostages in the town of Budennovsk in 1995. His victory would have been hard for the Russian government to stomach. But even if the Russians can talk to Mr Maskhadov, they must recognise that he has been elected on a platform of outright independence, like all his rivals. That will be the bottom line for future negotiations.

Mr Boris Yeltsin's decision to wage war on Chechnya when its people first attempted to secede from the Russian federation was always cruel and foolish. Given the sorry state of Russian military morale and efficiency, it was condemned to failure from the start.

Unpalatable as it may be, Mr Yeltsin owes his arch-rival, Mr Alexander Lebed, for extricating him from an unwinnable war. During his brief tenure as head of the Russian security council, Mr Lebed took the initiative to negotiate a ceasefire and withdrawal. His subsequent popularity in the opinion polls demonstrates that it was not only sensible, but welcomed by most of Russia. Now it is up to the ailing Russian president or his successor to negotiate a lasting peace.

Mr Maskhadov must recognise that he needs Russian good will to survive as an independent state: his country is remote and impoverished, and largely surrounded by other parts of the Russian federation. His one bargaining chip is the oil pipeline from the Caspian which passes through his territory. If he seeks too high a price, alternatives will be built.

It would be wise for Russia to swallow its pride and accept the inevitability of Chechen independence. It has lost the war. It should admit the empire is over, settle for a generous deal to keep the oil flowing, and help to rebuild the Chechen ruins.

How to make £400m in two easy stages

The owners of a rail leasing company have been enriched by party politics and business gaffes, says Tony Jackson

Even by the occasionally bizarre standards of privatisation, the Porterbrook affair seems a startling case of something for nothing. Just a year ago, this rail leasing business was sold by the UK government to its management for £527m. It now seems the deal's backers stand to make more than £400m ($647m) in profit, while Mr Sandy Anderson, who led the buy-out, is richer by some £40m.

This windfall has come in two stages. First, Porterbrook was bought for £825m six months ago by Stagecoach, the transport operator. Second, Mr Anderson and his backers, led by the venture capital arm of Charterhouse, the City merchant bank, took much of the proceeds in Stagecoach shares.

Despite the sharply higher price paid by Stagecoach, the market still reckons it got a bargain. Its share price has jumped some 60 per cent since the deal. Now Charterhouse and the institutional investors in its venture capital fund (although not Mr Anderson) are taking their profit by selling the shares.

Whoever is to blame for this debacle, it is scarcely Mr Anderson. The business was sold at auction, and his team won the bidding.

Nor is it obviously the fault of Charterhouse, which raised the bulk of the money. Various venture capitalists competed for his business, Mr Anderson said yesterday. Charterhouse simply offered him the best deal.

Critics have argued that, as the incumbent boss of the business when it was sold, Mr Anderson had an unfair advantage. This is debatable. Mr Anderson's expertise was derived from 20 years in the leasing business, very little of it with British Rail.

When he applied to British Rail to set up the bidding company in January 1994, he was working for a leasing subsidiary of General Electric of the US. There was no guarantee his bid would win. Two years is a fair chunk of one's career to put at risk in this way – even if, like Mr Anderson at the time, one is not yet 40.

If the buyers are not to blame, that leaves the sellers, the UK government. Its supporters would doubtless point to adverse circumstances – in particular, the behaviour of the Labour opposition. The price was driven down by Labour's vehement hostility to rail privatisation and the threat – since withdrawn – that a Labour government would make changes undermining the profitability of the privatised operators.

"Everybody was concerned about political risk at the time," Mr Anderson now says. "That was the gamble I took."

The main plank of his reasoning, he says, was that leasing is now an accepted feature of almost every form of transport in the UK except railways. Even under Labour, he was convinced it would play a role.

The role of Labour in driving down prices is familiar from earlier privatisations, from British Telecommunications onwards. It is a game the opposition can scarcely lose. If it does not halt the sale, it can then accuse the government of a giveaway.

The question is what the government should have done about that. For an answer, it helps to look at the private sector. Suppose a company had put the rail leasing business up for sale. If external forces – such as the approach of an election – depressed the market, it would postpone the sale until market conditions improved.

If the sale did go ahead, it would normally hedge its bets by taking a sizeable equity stake in the buy-out. That way, if the business turned out underpriced, the seller would recoup at least part of the difference.

For the government, postponing the sale was evidently not an option. The deal was the first substantial part of a larger exercise: the privatisation of the whole UK rail network. In any case, the government's standing in the polls suggested that postponement would be the end of rail privatisation.

The second option, though, is another matter. The government would hardly want to retain equity in Porterbrook, since the point of the exercise was to get rid of it. But there is precedent in the privatisation of London Buses for inserting a clawback provision, whereby any excess returns are partly given back in cash. Somehow, that seems to have been forgotten this time.

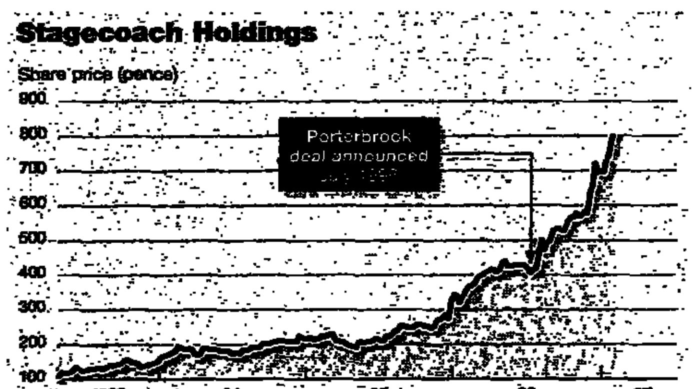
In fact, Porterbrook was always likely to go at a discount, being the first of its kind. Completion of the deal made the whole process of rail privatisation more credible, pushing up the price of subsequent deals. But since that was predictable, why did the government not take precautions?

The National Audit Office is now looking into the affair, and will publish its report after the election. It should make interesting reading.

It would be good to know how many bids there were for Porterbrook and each of the other leasing companies. It would also be interesting to learn why the profitability of those companies has turned out so much better than was envisaged in the memoranda of information sent by the government to prospective buyers.

It seems increasingly clear that Mr Anderson – and Stagecoach in its turn – appreciated the real potential of Porterbrook perfectly well. It is revealing that, as Mr Anderson attests, the venture capitalists were queueing up for a share of the action.

All in all, it is plain that the buyers were commercially-minded folk who could do their own sums, and knew just what they were getting. The sellers, on the other hand, seem to have been working in the dark. If that proves the case, they should answer for it.



Backer's Blank cheque

On the wall of Mr Victor Blank's comfortable office in the City of London is an oil painting of a street of red-brick terraced houses, reminding him of the street in Stockport in Cheshire where his grandfather used to live.

Both his grandfather – an immigrant from Ukraine – and his father were tailors. But after Stockport Grammar School and Oxford University, Mr Blank broke into the City by becoming an articled clerk at a law firm.

Along the way to the chairmanship of Charterhouse, a small merchant bank, Mr Blank, 53, has become the archetypal City figure. His tall frame can be seen at most City events, usually engaged in genial conversation.

"Whatever I get invited to, Victor is always there, and he must get a lot of invitations that I don't," says Mr Michael Sorkin, vice-chairman of Hambros, the merchant bank. Another financier describes him as "the ultimate networker".

Yet even the gregarious Mr Blank has found it uncomfortable to be in the public spotlight – along with a group of 46 other senior managers at Charterhouse – over the windfall they have made from Porterbrook.

Mr Blank has not gained as much from the unexpected success as others. Some of the 47 will gain more than £1m ($1.62m) each from their share of a stake of £89,000 that was rapidly transformed into £12m.

They made this from Charterhouse's "co-investment scheme", which gives directors the right to participate in all venture capital deals. This gave them a slice of Porterbrook's £2.2m in ordinary shares, valued at £400m in the takeover.

It is not the first time Mr Blank has demonstrated a skill in investing his own money in a Charterhouse deal. As well as organising the £310m management buy-out of Woolworths in 1982 he invested "a lot" of his own money in the deal.

The rewards from this and other deals enabled him to buy Chippinghurst Manor, an Elizabethan house in Oxfordshire dubbed "Woolworth Castle" by City wags. He built a cricket pitch there to indulge his passion for the sport. His cricket matches, including an annual event held with Sir David Frost, the television interviewer, to raise cash for a medical charity, have become a social fixture for many merchant bankers and stockbrokers.

This hospitality, and Mr Blank's personal charm, combine to make him a popular figure. "Victor has got a very fertile and creative mind. People enjoy talking to him, and they trust him," says a colleague of Mr Blank's at Charterhouse.

Yet Charterhouse does not evoke quite the same admiration. Blank's attempt to create a pan-European bank under the joint ownership of BHF Bank of Germany and Crédit Commercial de France has not yet been a clear-cut success.

Last year, Blank stepped back from day-to-day control and appointed Mr Michael Hepher, former managing director of BT, as chief executive. Yet as Porterbrook demonstrates, his dealmaker's touch remains.

John Gapper

· OBSERVER ·

Ford's galaxy of stars

■ Ford's strong fourth-quarter numbers, released yesterday, may win as much applause from North American theatregoers as shareholders.

In exchange for having its name up in lights, the Detroit automaker plans to pump a slice of its revenues – just how much is a secret – into a 1,800-seat theatre, now taking shape on the site of the old Apollo and Lyric near Times Square in New York.

Ford's partner in this is Garth Drabinsky, a self-described "hard, abrasive and brassy" Canadian. Drabinsky made his name in the 1980s, first by turning Toronto-based Cineplex Odeon into one of North America's biggest cinema operators, then being forced out as Cineplex over-extended itself.

Drabinsky, who says that fighting polio in his boyhood "gave me a hunger for life that has never left me", went on to form Live Entertainment of Canada (since shortened to Livent), specialising in musical extravaganzas.

Livent aims to be part-1940s Hollywood studio, controlling every aspect of a production. But it's also very much a 1990s creation, relying on endless opinion polls and focus groups to craft what Drabinsky calls "applause moments" and "tear-duct activity".

Ford clearly has the culture bug – New York's Ford Centre for the Performing Arts, due to open in December, follows similar partnerships in Toronto and Vancouver.

Just a few words

■ It's rare that Germany's chancellor Helmut Kohl is lost for words, as seemed the case yesterday at celebrations in Bonn for the 100th anniversary of the birth of Ludwig Erhard, west Germany's second chancellor and father of the social market economy.

When Kohl was due to speak, he cast aside a seven-page text carefully fashioned by his aides, and confined himself to a few genial observations about his illustrious predecessor.

Maybe he was pressed for time? The celebrations started late and his prepared text would have further delayed the guests from the refreshments. Unkinder souls suggest that the previous speaker, Fritz Hellwig, a contemporary of Erhard's, had queered Kohl's pitch by deftly drawing attention to the deficiencies of modern Germany compared with the *Wirtschaftswunder* years of the 1950s and 1960s.

But it's more likely that politics persuaded Kohl to hold his fire. The opposition has forced him to give a statement to parliament tomorrow on Germany's high unemployment and tax reform plans. Opposition leaders, including the Greens' Joschka Fischer and the Social Democrats' Rudolf Scharping, were among yesterday's audience.

A keynote speech from Kohl could have provided some very useful ammunition for tomorrow.

Question time

■ At last month's Franco-German summit in Nuremberg, President Jacques Chirac declined to answer a question put to him by the Financial Times. Big deal. Except that *had* he answered, he might have prevented a row from breaking out between himself and the French National Assembly.

At Nuremberg, Chirac and President Helmut Kohl agreed on a "common strategic concept" between their two countries. Chirac hailed the move as "very important" but declined to explain to the FT just *why* it was so important. More than a month of silence ensued. Questioned privately about the accord recently, French officials rolled their eyes and suggested it was mainly an exercise in patching up relations with Bonn.

And now comes the row. Chirac's government claimed it gave the National Assembly's president – the redoubtable Gaullist Philippe Séguin – and committee chairmen copies of the Nuremberg agreement and told them to distribute it. Séguin now denies this and has sided with the angry opposition Socialists and Communists, who complain that the executive has kept them in the dark on a matter of vital national security.

If only Chirac had been more forthcoming at Nuremberg, the accord would have been seen for the banality it largely is.

Al Caponeskis

■ It's a rough life, being a Russian tax collector. The tax collection inspectorate says 26 collectors were killed in the course of their work last year, 74 injured and six kidnapped. On top of that, 18 taxation offices were shot up. Gloomily, the inspectorate says it expects little improvement in 1997. Tax evasion is a big problem for Russia's government; in the first nine months of 1996 it collected only 73.9 per cent of expected revenues. Maybe the old solution – speak softly and carry a large stick – should be deployed: give tax collectors a substantial commission incentive and arm them to the teeth.

The Financial Times

100 years ago

The Manchuria Railway

Peking, 28th Jan. Hau Ching Cheng, the Chinese Minister to Russia and Germany, has telegraphed that the Russo-Chinese Bank will take one thousand shares in the Manchuria Railway and requesting the emperor to appoint a director. The Minister will continue to hold his post in Berlin for six months, afterwards returning to China. The Chinese Government is to receive 20 per cent of the surplus profit of the Russian railway across Manchuria, and the line is to become Chinese in 30 years' time.

50 years ago

Rand Union Meeting

Cape Town, 29th Jan. The joint committee of the mining union at an emergency meeting last night passed a unanimous resolution appealing to the Rand strikers to return to work immediately. The meeting was attended by representatives of several industrial unions and associations. Mr. McCormick, secretary of the committee, said to-day that the nine mining unions were deeply concerned with the serious position that had arisen as a result of the sectional strike of employees in the gold mining industry.

FINANCIAL TIMES
Thursday January 30 1997

Albania to pay back pyramid scheme victims

By Kevin Done and Kerin Hope in Tirana

Mr Sali Berisha, Albania's president, promised yesterday to begin paying back depositors in two of the country's failed pyramid schemes next week.

But the central bank warned that a bail-out of all investors would have a disastrous inflationary impact on the fragile economy. The compensation plan follows two weeks of the worst street violence in Albania since its chaotic emergence from communism in 1991, including attacks on the offices of the ruling Democratic party.

President Berisha warned that those responsible for violence on the streets would be brought to book. It was reported last night that local officials from the opposition Socialist party had been arrested.

The compensation plan will involve the repayment of about $300m recovered from two collapsing pyramid schemes, Xhaferri and Populli.

About 200,000 depositors are expected to get back between 70 per cent and 90 per cent of their original deposits – thought to total about $400m in the two schemes.

Mr Vehbi Alimucaj, the 47-year-old founder of VEFA Holding, the biggest of the deposit-taking companies, said yesterday his company was under investigation by a government commission.

Speaking at his headquarters, a heavily guarded villa in central Tirana, he said: "We will clarify that we are not a pyramid-style company. We have investments. We are the most indispensable company linked with almost every Albanian family."

President Berisha suggested that only a small part of the repayments would be in cash. The rest would be put in limited-access time deposit accounts at state-owned banks to try to avert a sudden surge in inflation.

Mr Kristaq Luniku, governor of the Bank of Albania, said: "The repayments should be made over an extended period of at least 12 months." He called for measures to strengthen Albania's financial institutions and legal framework.

Many depositors will receive nothing under the plan. They include tens of thousands in schemes such as Sude and Gjallica, which collapsed without any apparent funds in the state banking system and may have only limited assets on which to base repayments.

While President Berisha said the government was preparing measures to help families in acute hardship, he said people's freedom to invest wherever they chose reflected Albania's commitment to a market economy.

Japan's managers to hit back at bullying by bosses

By Gwen Robinson in Tokyo

Bullying by bosses is rising in Japan, adding to the burdens of managers troubled by the impact of an enfeebled economy.

In the next few weeks, white-collar workers may be able to complain on a "bullying hotline" which could be reintroduced after a trial run last year in the trough of the recession.

The Tokyo Managers' Union began the trial after increasing complaints of sudden demotion, verbal insults and even physical harassment by superiors. During two week-long periods, nearly 2,000 office workers called for advice. TBS, one of Japan's commercial broadcasters, recently set up a similar hotline and received nearly 100 calls in three hours.

Mr Kiyotsugu Shitara, the union's secretary-general, said managers were scared because of growing pressure on Japanese companies to downsize and cut costs. After the rampant hiring during the bubble economy years of the late 1980s, middle management was the main target of companies trying to restructure.

Many long-serving managers, he said, were under pressure from their companies to resign or accept demotions.

Mr Hideaki Wada said he had done well as sales chief for a sports equipment company where he had worked for 13 years. But his new boss slashed his pay by 20 per cent and made him supervisor of an unsuccessful project.

One 55-year-old employee of a machinery manufacturer said he was demoted from section chief and ordered to sweep floors and weed gardens. A woman in her 50s, who worked for a building maintenance company, said she was forced to do "impossible jobs. People stopped eating lunch with me".

Stories of ostracism in the office are common in Japan. But the tradition of relegating unwanted workers to the farthest reaches of the office has given way to more vicious rejection.

Union officials noted an alarming number of callers who had experienced physical harassment, including being slapped by superiors. One middle-aged man said one of his bosses forced him to drink sake containing cigarette ash.

The mother of a female office worker in her 20s reported to the hotline: "My daughter was bullied at work. Whenever she made a mistake, it was pointed out in front of everybody ... she resigned but the company refused to accept it, so she committed suicide."

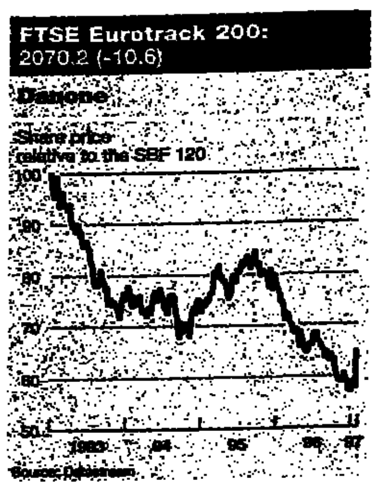
THE LEX COLUMN

A yen for the euro

Panic responses to Toyota's suggestion that it would invest elsewhere if the UK remained outside European monetary union look an absurd over-reaction. Even assuming Britain stays out of Emu, inward investment to the UK will not dry up; to mobile multinational companies, Britain's flexible labour markets are likely to remain a powerful attraction.

All the same, the fuss is a welcome jolt to those who like to assume staying outside Emu could be costless. Take a Japanese company planning to supply continental Europe; if it picks a UK base it will have to weigh the real disadvantage of two sets of currency risk rather than one. As sterling's 8.5 per cent appreciation against the D-Mark in the past three months underlines, this is not an academic point.

FTSE Eurotrack 200:
2070.2 (-10.6)



Danone

After four years of declining margins and share price, food conglomerate Danone has returned to positive territory. Moreover, Mr Franck Riboud, the new chairman, is talking of shaking up a group which has been so busy doing deals it scarcely bothered to bed them down. The potential for recovery is therefore considerable – particularly if Mr Riboud takes a hard line towards the family silver, selling non-core businesses such as bottle manufacturing.

The problem is the pain that would be incurred in restructuring the empire. There are areas where Danone lacks size, such as baby foods and pet foods, and numerous secondary brands that are vulnerable to competition from private labels. The rapid pace of consolidation in European retailing, particularly in France, is a worrying prospect for the group.

The real hope is that it will sell weaker businesses, raising cash to take its big biscuit, mineral water, beer and dairy product brands into faster-growing markets. But Danone paid a high price to break into Latin America. Meanwhile, the Asian consumer already faces a complex array of western beer and biscuit brands, while mineral water and dairy products offer limited appeal. Perhaps a hotter European summer will give Danone a boost, fuelling thirst for its drinks. However, the argument for buying Danone shares is that they look cheaper than those of Unilever and Nestlé. Until Mr Riboud can resolve the group's structural problems, they should remain so.

Dollar/yen

The calm that has prevailed in currency markets for the past 18 months is suddenly looking precarious. The past week's 4 per cent rally by the dollar against the yen comes perilously close to the sort of disorderly move which upsets central banks. Verbal intervention to curb the dollar's sharp rally is already under way. But central banks face a problem: intervention against the grain of the markets, whether financial or verbal, usually fails. At present, both economic and investment fundamentals point squarely in favour of continued yen weakness. Japan needs a weak currency to boost growth, while neither domestic nor foreign investors can find much reason for investing in Japanese shares or bonds.

All this will make for an interesting Group of Seven finance ministers' meeting in Berlin next weekend. Mr Robert Rubin, the US treasury secretary, has signalled concern that a planned fiscal tightening in Japan risks damping already fragile demand. If he steps up his case, and Japan beats a partial retreat from planned tax increases, this could provide the policy backdrop for an arrest to the yen's decline. Without such an initiative, any intervention will merely be spitting in the wind.

Premier Farnell

It has taken less than a year for Premier Farnell to blow a fuse. Yesterday's profits warning from the electronic components group blamed sterling's strength and problems at its volume distribution arm. But both these factors were well known to investors. The real trouble appears to be worse-than-expected trading at its core US and UK catalogue businesses. The suspicion must be that Farnell made some heroic assumptions on market growth to justify last February's hair-raising $2.8bn takeover of Premier – and that these have now come home to roost. Electrocomponents, its less flamboyant rival, has outperformed Farnell by 25 per cent over the past year. Shareholders were promised great strategic benefits from the Premier deal, at a short-term financial cost. So far they have only had the latter.

Fund management

A lively dialogue between companies and their biggest shareholders is an excellent thing. Yet inevitably, insider dealing rules limit what companies can say before institutions become "insiders" prevented from trading. So why not, says Mr Derek Higgs, have a Chinese wall splitting himself from the rest of Prudential Corporation's fund management business, which he runs? That way, he can conduct the dialogue and his fund managers can carry on trading.

Unfortunately, the idea is not as harmless as it sounds. There are three drawbacks. First, there are big presentational risks. Imagine Mr Higgs knows a takeover is imminent, and one of his fund managers starts innocently buying shares. Does the Pru really want to live with the inevitable subsequent criticism, however unfair? Second, it is not obvious how much clout Mr Higgs' individual views can sensibly carry. By definition, they will not reflect the judgments or expertise of his fund managers and analysts. And valuable though an off-the-cuff personal reaction might be, companies should be getting at least this from their own advisers.

Then there is the question of how much power even the mighty Pru should wield. Few if any other investors can afford to take senior people out of fund management decision-making for independent strategy chats with companies. That creates an obvious trap for management teams: that Mr Higgs' instincts could end up carrying disproportionate influence.

Additional Lex comment on WH Smith, Page 24

Bhutto defiant as appeal over dismissal is rejected

By Mark Nicholson in Karachi and Farhan Bokhari in Islamabad

Ms Benazir Bhutto yesterday vowed to "fight back" after the Pakistan supreme court upheld the presidential dissolution of her government on corruption and other charges.

She said she had expected the result and insisted her Pakistan People's party had enough support to win Monday's elections, despite opinion polls suggesting otherwise.

Ms Bhutto also alleged she had evidence the poll would be "rigged", and warned she would not accept the result if her party lost.

The former prime minister has signalled her intent to wage political war against Mr Farooq Leghari, the president and her former PPP colleague. She accuses him of conniving to oust her to bolster his own power.

A seven-judge supreme court bench dismissed by 6-1 Ms Bhutto's appeal against the dissolution of her three-year-old government on November 5 and ordered next week's national elections to go ahead. It ruled the dismissal was justified on the charges laid by Mr Leghari of her government's corruption, complicity in extra-judicial killings during Karachi's ethnic violence and economic mismanagement.

The ruling is the second time a supreme court has upheld a presidential dismissal of Ms Bhutto as prime minister, following the dissolution on corruption charges of her first administration in 1990. Ms Bhutto said yesterday: "The charges against me are all vague. There is not one specific charge."

She said her party should win 90 seats for the 217-seat parliament against 60 for the Muslim League led by Mr Nawaz Sherif.

"If the election results are as our party's analysis shows, we will accept the result," she said. "If they are not, we won't."

But recent opinion polls show her party trails the ML by 10-20 per cent. That would indicate either a modest ML majority or an ML-led coalition in a hung parliament.

Opinion polls say the Tehreek-e-Insaf party led by Mr Imran Khan is likely to win at best four seats.

Olivetti

Continued from Page 1

year, the company said the results were in line with its business plan. The cellular telecoms company has seen subscriptions rise sharply in its first year but is battling against the Telecom Italia fixed-line monopoly and the government's failure to reduce interconnection charges on Telecom Italia.

It is also still waiting for a L60bn rebate from the government, which has been criticised by the European Commission for failing to promote more competition in the Italian market. Olivetti shares were down L5.90 to L646 in Milan yesterday.

Toyota head's Emu warning

Continued from Page 1

on foreign investments. Government officials tried to play down the significance of Mr Okuda's comments.

They pointed to a string of recent inward investment projects including the $2.6bn South Wales electronics plant of LG Group of South Korea where Mr John Major, the prime minister, attended a ground-breaking ceremony yesterday.

Toyota UK declined to comment on Mr Okuda's remarks.

However, whatever Mr Okuda meant to say, he has touched a raw nerve in the UK. British officials dealing with foreign investment said few investors raised concerns about Emu. But they did express fears about what might happen to their investments if Britain found itself on the European periphery.

Nissan, the first Japanese motor group to build a British plant, said last night it would prefer the UK to join Emu but this was not "a major concern". Nissan this month announced plans to invest £215m to build a new model at its £1.3bn factory.

Honda Motor, which has a factory employing 2,300 at Swindon, said Emu would have no impact on its UK strategy including its plan to invest £200m in the next three years.

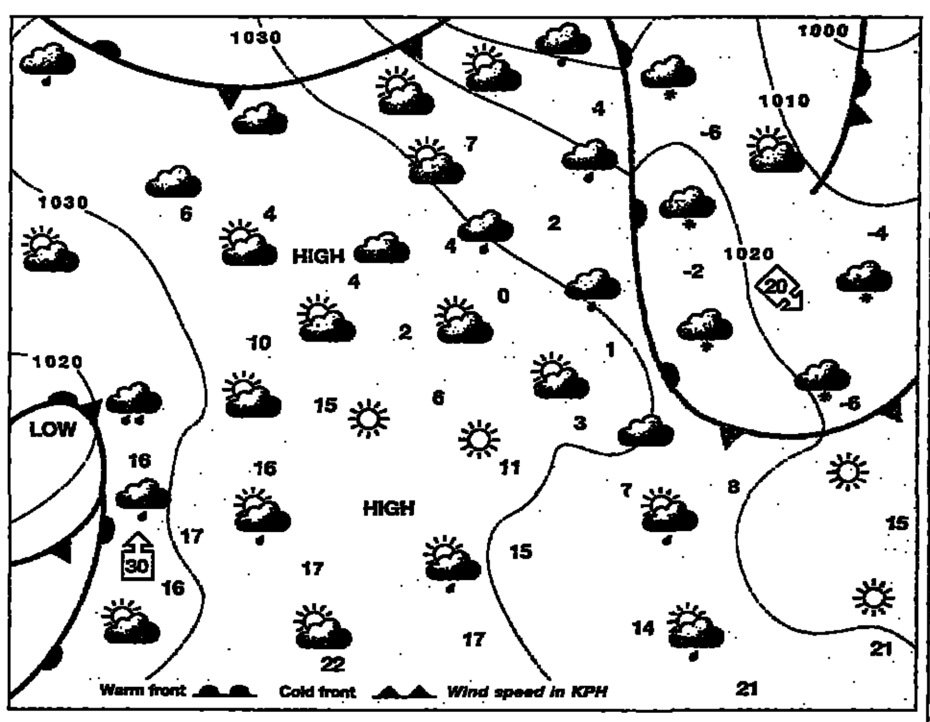
FT WEATHER GUIDE

Europe today

It will be cloudy over the Benelux and northern Germany. North-eastern Germany will have some drizzle or light rain. The southern part of Britain will have a mixture of sunshine and cloud, but the north will be mainly overcast. Northern France will have a mixture of sun and cloud, but the south will have plenty of sunshine. Sunny periods are expected in the interior of Spain, but south-eastern parts will have showers. Western Spain and Portugal will be mostly overcast with rain. Italy and the southern Alps will be mainly sunny, but the northern Alps will be mostly cloudy. Sunny periods are expected in the Balkans.

Five-day forecast

The high pressure system over the UK will gradually move to eastern Europe, bringing more settled conditions.
But one disturbance after another will reach north-western Europe, bringing changeable conditions.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 5	Caracas	thund 29	Faro	rain 17	Madrid	fair 13	Rangoon	sun 33
	Celsius	Belfast	cloudy 5	Cardiff	fair 5	Frankfurt	cloudy 4	Majorca	fair 15	Reykjavik	sleet 2
Abu Dhabi	sun 23	Belgrade	fair 3	Casablanca	sun 20	Geneva	sun 5	Malta	shower 15	Rio	thund 30
Accra	sun 31	Berlin	drzzl 5	Chicago	fair -5	Gibraltar	shower 15	Manchester	fair 5	Rome	sun 13
Algiers	fair 17	Bermuda	cloudy 21	Cologne	cloudy 4	Glasgow	cloudy 6	Manila	fair 30	S. Frsco	fair 16
Amsterdam	cloudy 5	Bogota	shower 20	Dakar	sun 27	Hamburg	drzzl 5	Melbourne	fair 27	Seoul	sun 2
Athens	shower 8	Bombay	sun 31	Dallas	fair 12	Helsinki	rain 4	Mexico City	shower 19	Singapore	thund 31
Atlanta	cloudy 11	Brussels	cloudy 4	Delhi	sun 21	Hong Kong	sun 22	Miami	fair 27	Stockholm	fair 6
B. Aires	sun 29	Budapest	fair 1	Dubai	sun 22	Honolulu	fair 28	Milan	sun 8	Strasbourg	cloudy 3
B.ham	fair 5	C.hagen	fair 5	Dublin	cloudy 5	Istanbul	cloudy 5	Montreal	fair -12	Sydney	rain 24
Bangkok	sun 32	Cairo	shower 15	Dubrovnik	sun 11	Jakarta	cloudy 29	Moscow	snow -6	Tangier	fair 18
Barcelona	fair 13	Cape Town	fair 28	Edinburgh	cloudy 8	Jersey	fair 6	Munich	fair 3	Tel Aviv	shower 15
						Karachi	fair 25	Nairobi	sun 29	Tokyo	sun 9
						Kuwait	fair 15	Naples	sun 11	Toronto	cloudy -5
						L. Angeles	sun 28	Nassau	thund 26	Vancouver	rain 11
						Las Palmas	cloudy 22	New York	cloudy 0	Venice	sun 8
						Lima	fair 27	Nice	sun 15	Vienna	fair 3
						Lisbon	rain 17	Nicosia	shower 11	Warsaw	drzzl 3
						London	cloudy 6	Oslo	fair 3	Washington	cloudy 1
						Lux.bourg	fair 3	Paris	fair 4	Wellington	sun 19
						Lyon	sun 5	Perth	fair 33	Winnipeg	snow -6
						Madeira	shower 21	Prague	cloudy 2	Zurich	fair 3

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1997 Thursday January 30 1997 Week 5

IN BRIEF

Arab group first to invest in Israel

Egypt's Kato Group became the first Arab enterprise to purchase *shares in an Israeli* company when it began buying shares in Koor Industries valued at an estimated $60m. Ibrahim Kamel, Kato Group's chairman, is to buy a stake of not more than 5 per cent in the Israeli company, which has a market capitalisation *of* $1.2bn. Page 18

RTZ copper smelting hits problems
RTZ-CRA's new US copper smelter refinery complex is still plagued with problems a year after it was scheduled to be at full capacity. The Anglo-Australian group said the Utah-based complex would shut down for six weeks for changes to be made. Page 28

FKI abandons bid for Newman Tonks
FKI, the *diversified* engineering group, abandoned its £189m ($315.6m) hostile bid for Newman Tonks, the architectural hardware company, following a £230m counter-offer from Ingersoll-Rand of the US. Page 24

Total in talks with Gaz de France
Total, the French energy group, is in talks with Gaz de France on the possibility of co-operation with the state-owned utility on a number of unspecified industrial projects. The company also reported a 50 *per cent* increase in 1996 net income from FFr3.7bn to FFr5.6bn ($1bn).
Page 20

Vietnamese law could deter mining
The long-awaited push into Vietnam by foreign mining companies is unlikely to materialise soon because there are too few incentives in the country's new mining law, mining company officials said. Page 28

Repsol reports record annual earnings
A recovery in profit margins for oil and gas enabled Spain's Repsol group to recover ground in the final quarter *of last year. It reported* record net earnings of Pta119.01bn ($855m) for the year, 1 per cent up on the Pta117.7bn recorded in 1995.
Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
PWA	218.0	+	9.8
SGL Carbon	210.0	+	6.5
Thyssen	298.2	+	7.5
Falls			
Rheinmetall	255	–	7
SAP AG	213.0	–	8.5
Schmalbach Lub	391	–	19
NEW YORK ($)			
Rises			
Administaff	21¼	+	4¼
Centennial Tec	33	+	2⅞
Kilroy Realty	25⅛	+	2⅝
Falls			
Am Pad & Paper	23⅜	–	2¼
Brinker Intl	11⅛	–	4⅛
360 Comm	19¾	–	2¼
LONDON (Pence)			
Rises			
AND Intl	362½	+	87½
Elec Retailing	405	+	50
Ivr Greetings	812½	+	120
Tracker Netwk	480	+	55
Falls			
Btick	297	–	54
Premier Farnell	632½	–	59½
TORONTO (C$)			
Rises			
Arcan Pharm	14	+	1
BI Eco Logic	7.8	+	0.7
Jewett-Cameron	7.0	+	0.5
Teklogix Intl	21	+	2
Falls			
Golden Rule	11.55	–	1.20
United Corp	37.90	–	4.15

PARIS (FFr)			
Rises			
Legrand	925	+	25
Legris	244.0	+	13.7
Technip	545	+	14
Falls			
Canal Plus	1174	–	59
Moulinex	135.0	–	7.8
Sanofi	547	–	18
TOKYO (Yen)			
Rises			
Aoki Corp	225	+	16
Janome Sewing	264	+	20
M'bishi Steel	438	+	35
NSK	700	+	54
Nihon Cement	610	+	45
Noritake	635	+	65
HONG KONG (HK$)			
Rises			
Baltrans	1.1	+	0.1
Golden Harvest	2.4	+	0.32
Hwa Kay Thai	0.81	+	0.07
Mansion Hldgs	0.55	+	0.04
Min Xin	3.82	+	0.47
Falls			
Leading Spirit	1.91	–	0.16
BANGKOK (Baht)			
Rises			
Precious Ship	41.25	+	3.75
Falls			
Cheran Ins	67.5	–	7.5
Earth Inds	1.0	–	5.7
Murumoto Elec	34.0	–	6.25
PAE	87.5	–	9.5
Securities One	86.5	–	9.5

New York and Toronto prices at 12:30.

$300m takeover plan would create South America's biggest carrier

VASP set to bid for Aerolineas

By Geoff Dyer in São Paulo and Matthew Doman in Buenos Aires

VASP, the private Brazilian airline, is interested in buying a controlling stake in Aerolineas Argentinas, in a deal which could create the largest carrier in South America.

The airline, Brazil's second-largest, said yesterday the proposed takeover would allow it *to expand significantly its* services in the fast-growing Latin American market.

Analysts believe it is prepared to pay at least $300m for a controlling stake. But they said other large airlines were also likely to be interested in acquiring a stake or forming an alliance with Aerolineas Argentinas. Continental of the US is thought to be the most likely contender.

Continental refused to comment. But the airline said it was interested in increasing its business in South America, *especially through alliances or* code-sharing agreements. It operates services to Bolivia, Ecuador and Peru, but not Argentina or Brazil.

Aerolineas is managed by Iberia, the Spanish state-owned airline, which once owned a majority stake but reduced its shareholding to 20 per cent after an EU ruling on a rescue plan forced it to sell *some assets.*

Interinvest, a holding company owned by US investment banks Merrill Lynch and Bankers Trust and the Spanish government, now owns a 63.35 per cent stake in the Argentine airline.

Analysts *said* a VASP approach would make strategic sense because it would give the Brazilian carrier a strong presence in the second-biggest market in South America.

VASP already owns airlines in Bolivia, Ecuador and a small Argentine carrier. It would be able to achieve significant economies of scale and adopt a strong marketing posi*tion in the Mercosur region,* analysts said. Any deal would probably also include VASP taking over Iberia's management contract.

But some analysts questioned whether VASP had the necessary financial resources. *Mr Chris Ecclestone, director* of Interacciones investment bank in Buenos Aires, said: "VASP has got a lot of problems of its own. Continental would be a much better fit."

The financial strength of VASP, which was privatised in 1990, is unclear. It only returned to profitability in 1995 after several years of heavy losses and is believed to *have high debts. But it is con*trolled by Mr Wagner Canhedo, one of Brazil's richest men.

Aerolineas had been in talks before Christmas with American Airlines, the biggest carrier in the region, over code *sharing and a possible equity* stake. It is understood those talks are not continuing, but neither airline would comment yesterday.

Aerolineas, which had passenger revenues of $1.01bn in 1996, expects to make a profit in the year to June, its first since privatisation in 1990.

Jobs cut in Danish telecoms shake-up

By Hilary Barnes in Copenhagen

Tele Danmark, the partly-privatised Danish telecommunications operator, plans to cut about 2,000 jobs over the next 18 months, about 12 per cent of its 16,400 labour force.

The group said in a statement to the Stock Exchange that the redundancies and other organisational changes were necessary to meet an increasingly competitive domestic telecoms market.

The Danish market was in principle fully-liberalised on January 1, a year ahead of the European Union's target for the European market.

Tele Danmark is already meeting fierce competition in cellular telephony from Sonofon, its domestic rival. In addi*tion, Sonofon and* Telia, the Swedish group, have both declared their intention to become full-service competitors.

The statement said that about 2,500 employees will go by mid-1998, but about 500 *staff will be recruited to meet* demand for new services.

"This is a positive development, a serious attempt by the management at attacking the costs base," said Mr Iain Johnstone, telecoms analyst at J.P.Morgan in London.

He estimated that the move could add some DKr400m ($63.5m) to 1998 profits and said it would be earnings enhancing.

An important organisational change was also approved by the group's executive directors yesterday.

The existing seven regional divisions are to become two operational divisions – one for private customer services, the other to cover business services.

The group has been considering rationalisation measures for the past year in connection with a 1994 political *agreement not to use dismiss*als as an instrument of rationalisation before the end of 1997.

Tele Danmark was formed in 1991/2 by the merger of the state telecoms agency with Copenhagen Telephone, Jutland Telephone, and Funen Telephone, all state-dominated, regional monopoly telephone companies.

In 1994, it made a big international privatisation share issue, reducing the state's holding to 51 per cent.

Despite the curb on dismissals, the group said it has increased productivity 35 per cent between 1992 and 1995. The number of lines per employee increased from 185 at the end of 1993 to 201 at the end of 1995, according to that year's annual report.

Tele Danmark's performance was better than that of British Telecom, France Télécom or Deutsche Telekom, but well below the best European performances. According to *estimates* by BZW, the London-based broking house, these were Telecom Italia, with 254 lines per employee, the Dutch company KPN's 247, and Spain's Telefonica with 217.

In 1995 the Danish group made pre-tax profits of DKr3.92bn on turnover of *DKr17.84bn.*

In the first half of 1996 it pre-tax profits fell from DKr2.72bn to DKr2.17bn on turnover up from DKr9.41bn to *DKr10.94bn.*

Stora's chief executive Lars-Ake Helgesson said the group was hit by lower prices for virtually all its products

Fall in Stora's profits highlights pulp paper slump

By Greg McIvor in Stockholm

The downturn in the European pulp and paper industry was *highlighted yesterday* when Stora, the Swedish forestry group, announced a 71 per cent slump in 1996 earnings.

Pre-tax profits fell from SKr8bn ($1.09bn) to SKr2.3bn, slightly below market forecasts. The figures, the first from a large Scandinavian paper producer for last year, provided little hope of any *brisk reversal of the sector's* sagging fortunes.

Investors marked down Stora's shares by SKr1.50 to SKr93.50 yesterday.

The sharp deterioration in earnings mirrored the tribulations of large north American producers, which recently announced profit falls of between 50 and 80 per cent.

Mr Lars-Ake Helgesson, Stora chief executive, said the group had been hit by price falls for virtually all its products. He said it was difficult to forecast general price developments for 1997, but predicted the company would implement a price increase for lightweight coated paper, a key magazine paper grade.

Mr Mads Asprem, pulp and paper analyst at Morgan Stanley in London, said there was a risk 1997 could prove a weaker year for the industry than 1996, amid continued high wood pulp inventory levels.

He said producers failed to eliminate excess stocks in 1996 and suggested prices of Northern Softwood Bleached Kraft, the industry benchmark, could fall $100 per tonne from the present level of about $560.

"We will need three to six months of low prices, which will cause some hurt, before we get a sustainable recovery," he said.

Some analysts suggested, however, that a rise in Stora's fourth quarter operating profits from SKr469m to SKr615m indicated the company had reached bottom.

Mr Jukka Huuskonen, forestry industry analyst at Arctos Securities in Helsinki, said: "There are early signals that things will get better as the year progresses but it is still a little bit shaky."

The rebound in fourth quarter income was helped by a return to profit in fine paper operations, but performance was clouded by continued *weakness in printing paper* production – Stora's biggest segment.

Prices of newsprint, Stora's single most important grade, *remained weak as the com*pany was forced to cut prices by about 20 per cent in the latter half of the year. Falling European newsprint prices has *continued into this year.*

Full-year operating profits in printing papers fell from SKr3.3bn to SKr2.7bn on sales down from SKr17.4bn to SKr15.2bn. Fine paper earnings collapsed from SKr1.5bn to SKr177m, while turnover dipped from SKr9.5bn to SKr7.3bn.

Group sales dropped 21 per cent, from SKr57bn to SKr45.1bn, of which SKr2.8bn was due to a stronger Swedish krona. Earnings per share were SKr4.85, *against* SKr16.70, and the dividend was held at SKr3.75.

Premier Farnell shares slide after profits warning

By Motoko Rich

Premier Farnell, the UK electronic components distributor, warned yesterday that annual pre-tax profits would *fall short of expectations less* than a year after its controversial £1.85bn ($3.1bn) takeover of a US group.

Shares in the company slid 59½p to 632½p after the company said pre-tax profits for the year to February would be up to 8 per cent below market forecasts.

A substantial part of the fall came before the company issued its profits warning two minutes before the market closed. Institutional investors were frustrated by the late release of the warning. "It would have been better if they had announced it earlier in the day," said one shareholder.

Premier Farnell said it told *its house broker, BZW,* about the shortfall yesterday morning. It cancelled at least three meetings with analysts at other investment banks. Later the company released the warning because it saw the share price start to fall.

The shares began floating downwards after more than 1m were traded at 690p at *about 1pm in London.*

Mr Howard Poulson, chief executive, was out of the country yesterday and Mr Andrew Fisher, finance director, was unavailable for comment.

The company said weak market conditions in the US and the UK as well as the strength of sterling had hit the operations. The company said its "volume distribution business" – which has now being sold – had been particularly hard hit. Yesterday another components distributor, Eurodis Electron, announced a 34 per cent fall in underlying interim profits.

The volume business was part of the original Farnell company before it made its audacious bid for Premier, a company twice its size, last year. It was also criticised by some shareholders for the amount it paid.

Yesterday the company said the integration of Premier "continues to proceed very well and the group's joint market development initiatives are being implemented with promising early results".

One analyst said: "It is all very well integrating two high quality businesses but if the profits are not there it does not matter how well integrated they are."

Brokers downgraded their pre-tax profit forecasts, which ranged from £140m to £150m before the announcement, to about £130m.

The volume business was sold to Arrow of the US for $300m on December 20 and the sale will be completed in March.

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Michelin looks at listing on US stock exchange

By David Owen in Almería

Michelin, Europe's biggest tyre *maker, is considering whether* to join the growing group of large French companies with a US stock exchange listing.

The move is under internal debate at the secretive company that has expanded from its provincial base at Clermont-Ferrand in the heart of France to become one of the three giants of the sector, *along with Bridgestone of* Japan and Goodyear of the US.

Supporters of the idea think it would raise the group's profile in the important North American market where it has been a powerful force since the acquisition of Uniroyal Goodrich seven years ago.

It would also be in keeping with the increasingly interna*tional nature of Michelin's* business. Less than 20 per cent of the group's 1995 turnover was in France.

The latest push is in Asia, where the company is aiming to double its sales from relatively low current levels by 2000. It recently established *its* first factory in China, capable of producing 1m units a year.

Under an agreement with the town of Shen Yang, in the north-east of the country, Michelin has taken 90 per cent in a new tyre company. The French group's total investment is $30m.

It already claims to have 7 per cent of the Chinese market. for car tyres. Overall tyre Sales in China in 1994 reached 55m units.

This emerged as Mr Eric Bourdais de Charbonnière, chief financial officer, told journalists on a rare visit to the heavy vehicle tyre testing centre at Almería in southern Spain that the group aimed to cut its debt/equity ratio to 1:1 or lower, from almost 2:1 at the end of the first *half* of 1996.

As long as the figure was higher than 1:1, he suggested, it would be hard for Michelin to undertake a big acquisition without an increase in capital.

But some analysts calculate the group may be within striking distance once the proceeds of two recently launched capital market transactions are booked.

Last month Michelin sold a 2.6 per cent stake in Peugeot-Citroe"n, the French carmaker.

Kato Group to acquire up to 5% of Koor

By Mark Huband in Cairo and Judy Dempsey in Jerusalem

Egypt's Kato Group yesterday became the first-ever Arab enterprise to purchase shares in an Israeli company when it began buying shares in Koor Industries valued at an estimated $60m.

Mr Ibrahim Kamel, Kato Group chairman, said the company is to buy a stake of not more than 5 per cent in the Israeli group, which has a market capitalisation of $1.2bn.

The share purchase will be spread over the next seven days in order to avoid disturbing the price. The shares are to be bought in the name of several different Egypt-based subsidiaries of Kato Group, whose interests range from chemicals and seeds to banking and tourism.

Orders for the first Koor shares, all of which are to be bought on the New York Stock Exchange, were placed by brokers yesterday.

"The orders have been placed, but it's not going to happen in one day. So far it appears to have been going smoothly," said Mr El-Mansour El-Tarzi, financial adviser to Kato Group, who was instrumental in setting-up the deal.

Mr Kamel, who heads what is one of Egypt's largest private business empires, agreed to buy the shares during six months of negotiations with Mr Benjamin Gaon, chairman and president of Koor Industries.

Mr Gaon said he saw no obstacles preventing Israeli and Egyptian companies doing business in the future.

At close of trading on the Tel Aviv Stock Exchange, Koor rose 1.5 per cent from Shk 315.45 to Shk320.19.

But analysts said the rise was probably due to interest by Mr Stanley Gold, president of the US-based Shamrock group, in acquiring stakes held in Koor by Bank Hapoalim, Israel's largest bank, than the Kato share purchase. The Shamrock group holds 20.5 per cent of Koor Industries voting rights while Bank Hapoalim holds a 22.7 per cent stake.

Analysts said Mr Kamel's deal could now open the way for Mr Gaon to trade in Egypt and possibly make some acquisitions, particularly in the cement sector.

In a separate move Nortel, the Canadian telecoms network, paid $45m for a 20 per cent stake in Telrad, the telecommunications division of Koor. The move is aimed at further internationalising both companies.

Nortel, formerly Northern Telecom, will pay $17.5m in cash and another $27.5m spread over four payments. It follows the exercise of a two-year option made in 1995 when Nortel and Telrad formed a strategic partnership for the development and supply of equipment.

"The key reason why we were interested in making an investment in Telrad was because of its engineering and technical capabilities," said Mr Jean Monty, president and chief executive of Nortel. Telrad had sales of $396m in 1995.

Nortel will issue new shares, leaving Koor with a stake of 80 per cent. Koor's Mr Gaon said he was anxious to float Telrad in New York, possibly by as early as next year.

Over the past three years, Koor has embarked on a big restructuring programme designed to create a core of companies grouped around agrochemicals, chemicals, telecommunications and building materials.

Danone ahead of forecast with 8% rise

By Andrew Jack in Paris

Danone, the French agro-foods group, yesterday reported 1996 net profits up 8 per cent to FFr3.4bn ($610m), in the first full set of results since Mr Franck Riboud took over as chairman from his father last May.

The figures were above those predicted by the group last year and came in spite of disappointing summer weather in Europe which hit sales of mineral water, beer and other products.

In an interview with the Financial Times, Mr Riboud expressed satisfaction that margins had increased from 8.8 per cent to 8.9 per cent after four years of decline, and stressed the growing emphasis on three product lines: health food, snack products and drinks.

He said he had made a series of changes since he took charge of the company. These included breaking down the barriers between its divisions; accelerating its international development; focusing on a core group of products; emphasising the Danone brand worldwide; and introducing new incentives for managers who would increasingly be paid on the basis of return on investment in their business divisions.

He said he planned to open a research centre for the group to analyse consumer trends, while adding that he was satisfied with the level of overall spending on development – about 0.8 per cent of annual sales.

Mr Riboud said he believed the 6-8 per cent spent on marketing and promotion of its brands was at the correct level, and that any proposal to reduce advertising expenditure must in future be submitted to senior directors for approval.

He said the group would concentrate on four to five international brands and a further 10 in local markets. He added that its aim was to be the best-known brand in its principal markets, or number two in specific niches.

Danone's debt rose as a result of a series of acquisitions last year by FFr4bn to FFr20bn. Sales increased 6 per cent to FFr84bn during 1996, or by 3 per cent on a comparable basis. The strongest growth came from outside Europe – up 8 per cent – and within Europe from biscuits, up 4 per cent.

Mineral water sales in Europe fell by more than 2 per cent, but retained the highest margins at nearly 14 per cent. Mr Riboud said that the group's new crushable bottle – designed to ease disposal – had helped it boost market share in France by 1.5 percentage points.

Dutch football clubs may float

By Simon Kuper

Two Dutch football clubs are considering joining the rush of European teams to the stock market. AZ Alkmaar and PSV Eindhoven would become the Netherlands' first two quoted clubs.

Eleven UK and three Danish sides already have stock market listings. Last week, Lazio of Rome and Fiorentina of Florence confirmed their plans to float on a foreign stock exchange.

Mr Jan Kasper, director of AZ, said yesterday that his club expected to seek a listing on the Amsterdam market if it received the go-ahead to build a new stadium. He said AZ had been inspired by UK football club flotations.

Mr Harry van Raaij, chairman of PSV, one of the Netherlands' three biggest clubs, said that a share listing would help his club match the financial power of leading UK and Italian rivals.

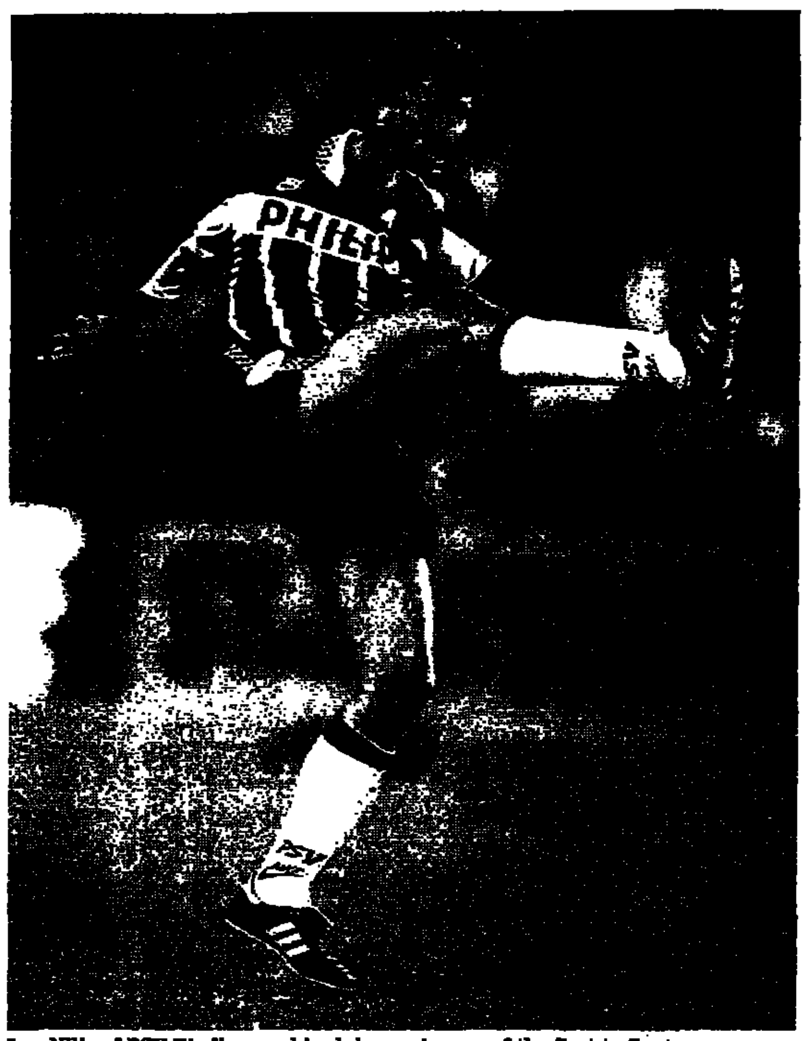
PSV was created as a works team of Philips, the electronics company which still controls the club.

The two teams' plans mark a new stage in the financial revolution that has hit Dutch football since the collapse last month of Sport 7, the cable television channel that owned the rights to screen Dutch premier division games.

The country's leading clubs are planning to create a Premier League, based on the UK model, that would have the autonomy to make its own financial decisions.

Plans to show matches on pay-per-view television accelerated last month after a Dutch judge ruled that clubs owned the TV rights to their own home games. No club should have to join a collective deal, he said.

His ruling is being closely watched by clubs elsewhere in Europe. They believe it could destroy the television deals that leagues have negotiated collectively. Stock market analysts believe that if collective deals collapse, big clubs such as Newcastle United and Glasgow Rangers could negotiate more lucrative individual contracts.



Luc Nilis of PSV Eindhoven: his club may be one of the first to float *EMPICS*

London analysts said AZ and PSV would make fairly small companies. PSV has a pre-transfer turnover of less than $24m a year, and AZ is considerably smaller.

PSV carried out its biggest ever deal last year, when it sold the Brazilian striker Ronaldo to Barcelona for an estimated Fl 35m ($18.8m). But the player, voted the world's best by national team managers this month, is now valued at about four times that amount.

Western defence groups set sights on Czech deal

By Vincent Boland in Prague

Western defence contractors contemplating the purchase of a stake in Aero Vodochody, a Czech military aircraft maker for which the government is seeking a strategic investor, are forging ties with local companies. They aim to strengthen their bids in a tender closely linked to a separate battle to win a contract to upgrade the Czech air force.

A senior executive at Lockheed Martin, the US defence company, said it was in talks with several potential partners ahead of a possible bid for the 34 per cent stake in Aero, which makes light attack and training aircraft. Other US and European contractors are also believed to be forging tentative links with local partners.

Boeing, the world's largest civilian aircraft maker, is also reported to be mulling a bid for Aero in partnership with CSA, the Czech national airline. Bids are due later this month, and the winner is expected to be announced in April.

The sale of the stake is closely linked to a battle being waged among leading western defence companies for the air force contract. A government decision on whether it can afford to replace Soviet-built Mig-21s with western aircraft is expected to coincide with a probable invitation to the country later this year to join Nato.

Mr R. M. "Mac" Stevenson, international vice-president for central Europe at Lockheed Martin Tactical Aircraft Systems, would not say which Czech companies were involved in the talks, and no decision had been taken on whether it would bid for the stake. But he said Lockheed's position "would be greatly enhanced by having a relationship with Czech industry".

Lockheed is offering the air force its F-16 fighter aircraft for the upgrade, either through leases or the purchase of new or used aircraft. A new F-16 costs $24m. Other contractors seeking the upgrade and potential bidders for Aero include McDonnell Douglas of the US, an Anglo-Swedish partnership between Saab and British Aerospace, and Dassault of France.

McDonnell Douglas would not comment on whether it would bid for the Aero stake, but said in a statement yesterday it planned to locate production of its F/A-18 Hornet fighter aircraft at the Czech company, and said another of its potential partners was the engineering firm Skoda Plzen.

The government decided earlier this month to open the tender for the Aero stake to foreign as well as domestic investors despite a campaign by some local interests to keep it entirely in Czech hands.

It is being recapitalised by existing shareholders, which include three local banks, to the tune of about Kc2bn ($720m), and Kc3.3bn in debt relief has been approved. Its new partner is likely to introduce additional capital.

Siemens Nixdorf launches low-cost Net PC device

By Paul Taylor in Dublin

Siemens Nixdorf Informationssysteme (SNI), the German computer group, is to launch what it claims will be the first low-cost network computer to conform to Microsoft's recently announced Net PC specification.

The Scenic Pro Net 2, which will be launched at the Cebit trade fair in Hanover in March, will cost about DM1,200 ($727m) including a screen.

It will be built around an Intel Pentium microprocessor, 16Mb of memory and a network adapter for connecting with corporate PC networks.

The new device – in effect, a slimmed-down PC – will run Microsoft's Windows computer operating system downloaded from a network and Web browser software.

Unlike the rival NC devices backed by Oracle, the second-largest software group, and Sun Microsystems, Siemens Nixdorf's network computer is designed to be expanded.

Mr Peter Pagé, the member of the SNI managing board responsible for system strategy and application software, said: "For users who only have access to slower networks and require more standalone functionality, the network computer can be extended with an optional hard disk as well as an expansion box containing a CD-Rom or floppy drive."

Mr Pagé believed: "Adaptable user devices are superior to a dedicated network computer, which cannot be flexibly extended."

He continued: "By installing sealed network computers, users run the risk of being tied into an investment which cannot evolve over time and cannot be adapted to the different needs of a user's workplace."

He took a swipe at the NC's advocates, such as Oracle's Mr Larry Ellison and Sun Microsystems' Mr Scott McNealy.

He said: "Some people are joking about all the unused computer power that is sitting on desktops, comparing them with unused TV sets....They do not seem to understand the range of functionality that intelligent network access devices require."

In spite of concerns about lacklustre IT spending in Europe, and Germany in particular – highlighted recently by several US groups – Mr Pagé said SNI's growth remained strong.

EUROPEAN NEWS DIGEST

Telefónica lifts net profit 20%

Telefónica, Spain's telecoms operator which is due to be fully privatised next month, raised net attributable profits last year by 20.1 per cent to Pta160bn ($1.1bn) according to non-audited, provisional figures released by the company yesterday. The figures were in line with market estimates. Revenue increased 15.5 per cent to Pta2,009bn.

Ahead of the sale of the state's remaining 21 per cent stake in Telefónica, chairman Mr Juan Villalonga announced a new board which will include nine independent directors in place of board members who represented the state-owned equity. Mr Villalonga said the appointment of outside directors reflected the operator's commitment to corporate governance principles of transparency, disclosure and the defence of shareholder interests.

The new board members include Mr Cesáreo Alierta, chairman of Tabacalera, the state-controlled tobacco company; Mr Pedro Ballve, chairman of the family-owned Campofrio food group; Mr Alberto Cortina, a wealthy businessman; and Mr Martin Velasco, a Geneva-based entrepreneur. *Tom Burns, Madrid*

Sales climb 15% at Debis

Daimler-Benz Inter Services (Debis), a unit of the German industrial group Daimler Benz, yesterday announced a 15 per cent increase in sales in 1996 to DM13.6bn ($8.24bn). The company said earnings had also risen, but that exact figures would only be released at the Daimler-Benz results press conference in April.

Mr Klaus Mangold, chief executive, said profitability improved in 1996 as Debis no longer had any loss-making units and business volume as a whole had increased. For 1997 he forecast sales significantly above DM14bn.

DM8.8bn of 1996 sales came from financial services, where its leasing business, Mercedes-Benz Lease Finance, grew 33 per cent. Information technology accounted for DM2.3bn and the telecoms business Debitel for DM1.6bn. Debis' largest customer is still Daimler-Benz, which accounted for 15 per cent of sales. *Frederick Stüdemann, Berlin*

Strong advance at Matav

Matav, the Hungarian telecoms company, announced a six-fold rise in provisional profits to between Ft23bn and Ft24bn for 1996, up from Ft3.9bn in 1995. Turnover rose 35 per cent on 1995 figures to between Ft194bn and Ft195bn.

Analysts said the results were above expectations. Mr Gergely Varkonyi, an analyst with ING Barings Budapest, said the results made the company's initial public offering, expected late this year, "even more interesting". Management attributed the improvements to improved services and reduced operating and financing costs. *Kester Eddy, Budapest*

Berendsen denies restructure

Sophus Berendsen, the Danish industrial company which owns 36 per cent of Rentokil of the UK, has no plans to change the structure of the group, Mr Ole Balle, the chief financial officer, told the Financial Times yesterday.

He was responding to a report in a Danish newspaper claiming that Berendsen was preparing to set up a separate company to hold the Rentokil shares, in order to eliminate the price difference between Rentokil shares and Berendsen shares. The difference leaves investors in Berendsen at a disadvantage.

"This is not a new story," said Mr Balle, "but we have no current plans to do as suggested and the issue has not been discussed by the supervisory board."

Berendsen held over half the shares in Rentokil until the beginning of 1996, when the holding was diluted and reduced to 36 per cent as a consequence of Rentokil's acquisition of BET. *Hilary Barnes, Copenhagen*

Schwarz Pharma upbeat

Schwarz Pharma, the German pharmaceuticals group, yesterday gave an upbeat outlook for the current year after a stronger-than-expected 17.5 per cent increase in sales to DM1.2bn ($730m) in 1996.

"We are confident about the year that has just begun: group sales should rise between 6 per cent and 8 per cent, and profits at an even faster rate," it said. The company, Germany's ninth-largest drugs group, registered preliminary earnings per share of DM4.30 for 1996, up from DM3.70 previously.

Last year's sales increase was fuelled by a 26 per cent rise in foreign turnover, which for the first time exceeded sales at home. The growth in foreign sales was led by the US, where turnover surged 44 per cent. Domestic sales were 10 per cent higher than a year earlier. Schwarz Pharma said foreign sales would again provide the bulk of this year's sales increase, while domestic demand would be more moderate. The group said it was continuing to expand market share through acquisitions. The shares, which have more than doubled since the group came to the market in 1995, yesterday closed DM0.30 higher at DM114. *Sarah Althaus, Frankfurt*

Baan more than doubles profit

Baan, a Dutch-Californian supplier of business software, more than doubled net profits last year from $15.3m a year earlier to $36.3m, a figure exceeded in the final quarter of 1996 alone. Earnings for the three months to December reached $15.8m, compared with $6.8m, as the company said licence revenues, service and maintenance income, and margins all grew.

Sales were up 64 per cent to $123.9m in the latest quarter and ahead 79 per cent for 1996 as a whole to stand at $388m. *Gordon Cramb, Amsterdam*

B&O ahead 32% at halfway

Bang & Olufsen, manufacturers of audio equipment and television sets, reported a 16 per cent increase in sales, from DKr1.33bn to DKr1.55bn ($246m), in the half year to November 30, while pre-tax profits rose 32 per cent, from DKr128m to DKr174m. The result was slightly better than forecast in a statement to the Copenhagen stock exchange on December 10. The company reported strong sales growth for its audio and video products in the US, where there was an increase of 52 per cent. Bang & Olufsen said it expected sales growth for the full year to exceed 10 per cent and pre-tax profits to reach about DKr325m, compared with DKr251m in the year ended May 31. *Hilary Barnes*

P&U and Takeda sign deal

Pharmacia & Upjohn, the US-Swedish drugs group, said it had signed a marketing agreement with Takeda of Japan to sell its smoking cessation products in Japan. The deal covers P&U's replacement therapy products in the form of chewing gum and transdermal patches. Separately, P&U said its diagnostics unit has agreed to buy Elias Medizintechnik of Germany which develops, manufactures and markets diagnostic tests, primarily in the area of auto-immunity. *AFX News, Stockholm*

■ Cerus, the French conglomerate, said 1996 net profit rose from FFr60m to FFr1.2bn ($215m). It said it planned to refund a net FFr110 per share to shareholders with part of the FFr6.3bn proceeds of November's sale of its stake in Valeo. *AFX News, Paris*

■ Sales at Pinault-Printemps-Redoute, the French retailer, rose 3.3 per cent in 1996, from [illegible] to FFr80.39bn ($14.43bn). Changes in the group structure accounted for FFr923m and currency factors accounted for FFr117m. *AFX News, Paris*

Total in co-operation talks as profits soar

By David Owen in Paris

Total, the French energy group, is in talks with Gaz de France on the possibility of co-operation with the state-owned utility on a number of unspecified industrial projects.

Mr Thierry Desmarest, Total chairman and chief executive, made the disclosure in Paris yesterday, as the company unveiled a 50 per cent advance in 1996 net income from FFr3.7bn to FFr5.6bn ($1bn). Taking into account FFr1.5bn in non-recurring items that depressed the group's 1995 result, the year-on-year improvement was 150 per cent.

The figures compared favourably with the expected performance of Elf Aquitaine, its larger rival. Elf last month estimated its 1996 net income before special items would come to between FFr7.3bn and FFr7.5bn, up from FFr5.3bn in 1995.

In terms of earnings per share, however, the performance of the two companies was closer. Total posted an advance of 47 per cent from FFr15.80 to FFr23.30 a share; Elf is projecting a figure of FFr27 or FFr28 a share against FFr18.90 in 1995.

Analysts said yesterday's results were in line with expectations, although there were some pleasant surprises in the group's production forecasts for future years.

According to Mr Gordon Gray, oils analyst with Salomon Brothers in London, the company's "excellent" rate of reserve replacement should serve as "a foundation for strong future growth".

Analysts also welcomed the group's increasingly convincing focus on shareholder value, as reflected by a target of 12 per cent return on equity by 2000.

Total is aiming to achieve this on the assumption of an average reference price for Brent crude oil of $16.40 a barrel, which is well below current market rates, and a level regarded by observers as reassuringly conservative.

The return achieved by the group in 1996 rose sharply to 10.3 per cent, from just 7.3 per cent the previous year, due partly to the favourable market conditions. At the $16.40 reference price, this rate would have fallen to 8.4 per cent.

Mr Desmarest said that, while he expected crude oil prices to fall in 1997, they were unlikely to slip as far as $16.40.

At the operating level, by far the biggest improvement came from the group's upstream activities, with income climbing 63 per cent to FFr7.3bn. Operating income from chemicals rose 13 per cent to FFr1.9bn, and from downstream activities 15 per cent to FFr1.5bn.

Mr Desmarest said the business environment in the downstream segment remained "difficult", although it had improved slightly compared with 1995. He expected the proportion of overall capital employed in downstream activities to fall to about 30 per cent in 2000, from 41 per cent in 1995 and an estimated 34 per cent in 1997.

He said he was aiming for a further FFr4bn improvement in the group's operating profit in three years. Turnover was up 30 per cent from FFr135.8bn to FFr176bn.

Elf gets its message across

Mr Philippe Jaffré, Elf Aquitaine chairman, must be satisfied with the reaction to his half-yearly results commentary last September, when he announced his objective of delivering a double-digit return on equity at the French oil, chemicals and drugs group by 1998.

Such targets are not unusual these days in France. And this one does not appear overly demanding: the company is thought to have achieved a return of more than 9 per cent in 1996, albeit in a generally helpful market environment.

But his words have struck a chord with international investors. In the subsequent four and a half months, Elf shares have risen more than 35 per cent. By the end of November, the proportion of the shares in foreign hands had climbed to 43 per cent – high by French standards.

The share price rise is also attributable to other recent developments, such as the French state's decision to sell the bulk of its residual stake and Elf's announcement that it might sell control of Sanofi, its quoted drugs arm.

But the message seems to be getting across that France's largest heavy industrial concern, once seen as flabby and state-manipulated, is finally speaking the language of Anglo-Saxon capitalism – and starting to act accordingly.

"The sceptics have been waiting for a track record," said Mr Gordon Gray, oils analyst with Salomon Brothers in London. "That track record is starting to emerge much more clearly."

Yet in an interview this month in Elf's headquarters near Paris, Mr Jaffré made clear he did not think the comparatively aggressive investment cultures of the US and the UK had all the answers.

"I think shareholder value is the maximisation of a company's value over the medium term," he said. "For a company to develop well, it is necessary for its customers to be content; for its employees to be happy; for it to conduct research; for it to invest. That can be perceived negatively from the viewpoint of short-term shareholder value.

"In the medium term, the markets are always right, but not in the short term. I will not manage the company with my eyes fixed on today's stock market quotation."

After more than three years at the helm, Mr Jaffré was proud to have cut costs significantly – the group's oil production costs are now little more than $3 a barrel, compared with not much short of $5 in 1992 – without sacrificing the company's "will and capacity to develop".

"One could imagine reducing costs very sharply and more or less destroying the development capacity of the group," he said. "For me, downsizing at full-tilt is bad for the long term."

Some might reflect that rapid restructurings are notoriously difficult in France, where more than half the company's 85,500 workforce is still based, and suspect Mr Jaffré of trying to make a virtue out of necessity. It is hard to deny, however, that the group's varied development efforts are paying dividends.

A big factor behind the recent increase in the Sanofi share price, for example, are high expectations for a string of new products.

As for oil exploration, the group last year made what observers have described as an "exciting" discovery – the Girassol field – in deep water off the coast of Angola in west Africa.

However, virtually all Elf's oil and gas reserves are in the North Sea or Africa, and some observers are concerned that recent US interest in Africa could leave it vulnerable to seeing its position eroded in one of its most traditional preserves.

Undoubtedly, the company could have benefited from a more rapid restructuring in refining and distribution. The group's French operations made a loss in 1996 and are expected to do so again next year. But Mr Jaffré signalled he was not prepared to carry passengers indefinitely – even in Elf's politically sensitive home market. "We must return French refining and distribution to break-even ... or it will close," he said.

This is not a course of action that would have been contemplated in days when Elf was closer to the classic model of an integrated oil company, refining a high proportion of its own production. The attitude, as Mr Jaffré acknowledged, would have been that higher oil output required more refining capacity – a stance he now dismisses as "absurd". In fact, he argued, integration in the physical sense has "disappeared" from the oil industry, with the result that each sector of a group's activities has to justify its existence.

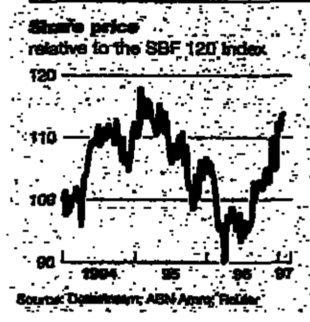
PROFILE

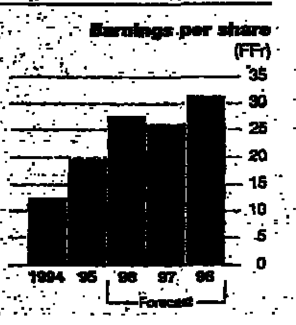
ELF AQUITAINE

Market value: $26.5bn Main listing: Paris

Historic P/E	23.9
Gross yield	4.1%
Earnings per share	FFr19.8
Current share price	FFr528

Philippe Jaffré: chairman





Source: Datastream; ABN Amro; Reuter

Though Mr Jaffré's stock is rising among international investors, the most difficult tests are still to come. It would have been worrying if the Elf chairman had not been able to improve on the profits record of his predecessor, Mr Loïk Le Floch-Prigent, who is now under formal investigation for alleged misuse of corporate assets.

The yardstick by which the current Elf chairman should ultimately be judged is his ability to deliver another return on equity target that he disclosed last week – this time of 12 per cent, to be achieved, even in average or poor market conditions, by 2000.

That would put Elf on a par with the best in the industry. If he does this without sacrificing his focus on the medium-term, then he will be entitled to plaudits. But it will be tough.

David Owen

Higher oil prices lift Petrofina

By Neil Buckley in Brussels

Shares in Petrofina, the Belgian integrated oil group, rose BFr175, or 1.5 per cent, to BFr11,525 yesterday after the group announced a 38 per cent increase in net profits for 1996 from BFr11.6bn to BFr16bn ($470m).

Petrofina said the results reflected higher crude oil prices and better refining margins – which increased from $1.80 to $2.27 a barrel – although falling margins had depressed the performance of the chemicals sector.

Although the results were lifted by capital gains on the sale of assets, these were largely offset by other one-off charges, and the results – released late on Tuesday – were generally welcomed by the Brussels bourse.

Cash flow increased to BFr45bn, or BFr1,935 a share, from BFr39bn, or BFr1,691, in 1995.

In the upstream exploration and production sector, oil and gas production was broadly flat, at 85.6m barrels of oil equivalent against 85.3m in 1995.

The balance of production changed, with oil production falling 1.5 per cent to 50.5m barrels, but gas sales increasing 4 per cent to 210bn cu ft.

Higher prices for crude oil and gas pushed the operating result up from BFr13.2bn to BFr23.8bn.

Development work on the Armada field and redevelopment of the Ekofisk field in the North Sea continued on schedule and under budget, the company said, while the new Thelma field began production in October and production from the Alba field increased.

Petrofina reported several important gas discoveries in the US, UK and Vietnam, and an oil discovery off Angola.

In the downstream refining sector, volumes increased 8 per cent and improving margins pushed the operating result up from BFr100m to BFr4.3bn.

Sales through the group's Fina retail network increased 6 per cent despite a sluggish market, with 700 service stations revamped.

The picture was less positive in the chemicals sector, where the operating profits declined from BFr19.7bn to BFr11bn in spite of a significant increase in polymer production capacity.

Results were held back by falling margins, and problems at the group's olefin plant in Antwerp in November.

Trading profits in the paints sector fell from BFr1.3bn to BFr1.1bn, with improved results for marine and industrial paints offset by development costs in the decorative paints sector in France and Germany.

Petrofina said it planned to increase investment in 1997 from BFr34bn to BFr37bn, with ongoing investment in the Ekofisk and Armada fields as well as the Tempa Rossa field in Italy, in increasing chemical production, and in downstream marketing operations in Europe and the US.

Repsol stages recovery in final three months

By David White in Madrid

A recovery in profit margins for oil and gas enabled Spain's Repsol group to recover ground in the final quarter of last year.

For the year, it reported record net earnings of Pta119.01bn ($855m), 1 per cent up on the Pta117.7bn recorded in 1995.

The provisional result for 1996 was higher than analysts expected. It followed a fall of almost 6 per cent in group earnings for the first nine months.

The improvement came in spite of a sharp setback in the international chemicals sector, the petrol price war in the UK and a strong investment programme.

The group, Spain's largest by turnover, did not disclose sales figures, which it said had not been completed. Operating profits climbed to Pta212.5bn from Pta197.2bn.

Repsol's last-quarter recovery avoids what would have been an embarrassing setback for the new chairman, Mr Alfonso Cortina, appointed in June following the centre-right Popular party's general election victory. The government holds a 10 per cent stake but this is due to be sold in a global offering this spring.

The results, which were leaked yesterday in a Madrid business daily, coincided with the signing of an industrial co-operation agreement with Iberdrola, Spain's largest private-sector electrical utility. The agreement also includes Gas Natural, the gas group in which Repsol is the largest shareholder.

The agreement reflects Mr Cortina strategy of involving Repsol in the domestic electricity generation market, which is being liberalised.

The other main focus has been a stepping-up of investment in Latin America, where the group spent about Pta90bn last year, including the purchase of a controlling stake in an important gas field in northern Argentina.

Total investments increased by more than half to Pta320bn, compared with Pta203bn the previous year.

Operating earnings from refining and marketing rose 6 per cent to Pta80.8bn. This was in spite of narrower UK margins and strike action at the group's Petronor refinery near Bilbao.

Earnings from exploration and production climbed by more than 60 per cent to Pta30.7bn, partly reflecting higher crude oil prices, while gas profits were 9 per cent up at Pta62.6bn.

Earnings from chemicals plummeted from a record Pta62.9bn in 1995 to Pta24.2bn, although the company noted that margins for the main plastics products improved in the second half.

INTERNATIONAL NEWS DIGEST

CLP bucks fall in HK market

Shares in China Light & Power, the Hong Kong utility, yesterday bucked a falling market to gain 3.3 per cent, closing at HK$34.80. Investors welcomed its move to sell a 20 per cent stake to Citic Pacific, the Hong Kong arm of the Chinese government's main investment vehicle.

On Tuesday, Citic Pacific said it was to pay HK$16.25bn (US$2.1bn) for new shares in CLP, giving it a 20 per cent stake in the enlarged capitalisation of the utility.

Mr Michael Kadoorie, chairman of CLP, said yesterday that capital raised from the stake sale would give it more flexibility in funding – for example, increasing equity stakes in power projects – but that there was no rush to spend it.

"We don't have any reason to spend money unless we get a good return," he said, defining a good return as 15 per cent or above. CLP has been suffering stagnating earnings growth and excess capacity.

Citic Pacific's shares closed yesterday down 2.5 per cent at HK$38.50. Concerns over Citic Pacific hinge on its increased gearing, as it plans to fund the stake through debt. ING Barings calculates net debt to equity will rise to some 64 per cent at the end of 1997, from an estimated 26 per cent in 1996. *Louise Lucas, Hong Kong*

Nintendo lifts forecast

Nintendo, the Japanese maker of video games, has lifted forecasts for parent pre-tax profit to Y90bn ($743m) in the year to March from an earlier Y85bn, the Nihon Keizai newspaper reported yesterday.

Present shipments of Nintendo 64 computer game hardware are running at 700,000 units a month, which is to be raised to 900,000 units from April. In the year to March 1998, monthly shipments are expected to average 900,000 units.

Total shipments – domestic and offshore – in the first half are expected to total 5m units, rising to 7m in the second half. By the end of 1996, total shipments of the Nintendo 64 stood at 3.99m units, of which 1.85m were for the domestic market and 2.1m shipped to the US. *AFX-Asia, Tokyo*

Morgan Stanley wins mandate

Morgan Stanley, the US investment bank, has won the mandate to lead-manage China's pioneering share issue, Beijing Datang Power Generation, on the London Stock Exchange.

Salomon Brothers, the US investment bank originally selected as global co-ordinator for the flotation of Beijing Datang in 1994, was dropped at the end of last year after a row over pricing. The power company plans to raise some US$300m, and had hoped to secure a dual listing in Hong Kong and London in November.

Morgan Stanley is also global co-ordinator for the issue of China Eastern Airlines, another Chinese enterprise whose flotation has been postponed. The carrier is seeking to raise up to US$250m through a joint listing in Hong Kong and New York next month. *Louise Lucas*

Elektrowatt split progresses

Credit Suisse, the big Swiss bank, is to bid SFr550 a share for the 56 per cent of shares in Elektrowatt, the Swiss conglomerate, which it does not own.

The ultimate plan is to split Elektrowatt into two companies. But a difference of opinion between the Zurich cantonal court and the Swiss federal tax authorities has forced Credit Suisse to first make a bid for all of the outstanding shares.

Siemens, the German engineering group, will then pay the equivalent of SFr285 a share for the industrial interests. A Swiss-German energy consortium will pay the equivalent of SFr265 a share for the traditional electricity business.

Elektrowatt yesterday reported a 54 per cent drop in net income to SFr97m ($68m) in the year to end September 1996. Profits were depressed by provisions of SFr118m. Earnings before interest and taxes rose 3 per cent to SFr673m on sales which rose 44 per cent to SFr7.2bn. *William Hall, Zurich*

Newcrest warns on quarter

Newcrest Mining, the Australian gold miner which last year failed in its attempt to merge with Normandy Mining, warned yesterday that it made a loss in the second quarter. It said the December quarter had been "severely impacted" by an unexpected decline in the grade of its oxide mill feed at its Telfer mine in Western Australia. This would result in a A$4.8m (US$3.7m) loss before tax in the three-month period.

The problem was likely to continue for the rest of the 1996-97 financial year, suggesting Newcrest might only break even in the second half-year. In the first quarter, the Melbourne-based company made a profit after tax of A$154m, mainly because of an A$225.6m pre-tax abnormal gain. This largely reflected the closing out of gold hedging positions. After-tax profits before such abnormals were A$9.6m.

Newcrest expected the first-half results to include "a determination of the appropriate carrying value" of its holding in Normandy, the larger mining company which rejected Newcrest's merger advances. Newcrest paid around A$470m for a 12 per cent stake in Normandy, and currently carries the 12 per cent stake at cost. The current market value is about A$310m.

● Energy Resources of Australia, the uranium producer controlled by the Melbourne-based North group, yesterday announced a 46 per cent increase in after-tax profits, to A$15.2m for the six months to the end of December. It attributed the improvement to higher sales, with revenue up 20 per cent to A$86.3m.

● Niugini Mining, the Australian-listed mining company, is to write down the value of its San Cristobal gold mine in Chile by US$15.7m, and adjoining exploration prospects by US$1.36m. It will also write off the capitalised cost of exploration at the Mungana prospect in Queensland – some US$5.22m. *Nikki Tait, Sydney*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 29.01.97: Pool purchase price £/MWh	Final Prices for Trading on 02.01.97: Pool purchase price £/MWh	Final Prices for Trading on 02.01.97: Pool selling price £/MWh
0030	13.00	11.69	11.69
0100	20.49	17.53	17.83
0130	30.76	17.53	17.83
0200	30.76	17.53	17.83
0230	20.49	17.53	17.83
0300	29.35	17.53	17.83
0330	29.35	17.53	17.83
0400	20.49	17.53	17.83
0430	20.49	11.70	11.70
0500	20.49	11.69	11.69
0530	19.47	11.69	11.69
0600	13.00	11.69	11.69
0630	13.00	11.86	11.86
0700	27.11	14.46	14.46
0730	32.39	22.81	23.11
0800	34.48	23.56	23.87
0830	35.72	27.86	28.24
0900	35.74	29.69	30.37
0930	50.49	49.72	50.61
1000	50.50	50.05	50.99
1030	50.49	48.71	50.57
1100	50.47	34.15	34.96
1130	35.73	38.25	39.10
1200	35.73	41.33	42.20
1230	35.72	41.33	42.19
1300	35.71	41.24	42.06
1330	32.56	33.96	34.70
1400	32.56	33.57	34.22
1430	32.56	33.32	33.91
1500	32.56	33.60	34.27
1530	32.56	35.96	37.34
1600	32.59	74.99	85.11
1630	38.07	282.80	312.10
1700	56.19	482.21	558.52
1730	69.07	591.00	668.38
1800	69.47	471.17	534.12
1830	59.72	263.68	300.98
1900	49.78	136.78	154.50
1930	48.70	76.79	84.83
2000	41.46	49.85	52.97
2030	37.35	43.02	44.26
2100	32.55	29.68	30.36
2130	32.39	27.89	28.29
2200	32.39	26.69	27.01
2230	26.13	26.65	26.95
2300	19.47	22.81	23.11
2330	13.01	14.47	14.47
2400	11.69	11.86	11.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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هكذا في الأصل

COMPANIES AND FINANCE: ASIA-PACIFIC

Two Asian carriers face up to differing problems and challenges as they attempt to expand their operations

Vietnam Airlines in careful ascent

Watch Us Take Off. Nothing captures the ambition of Vietnam Airlines better than this slogan, picked for an advertising campaign the company ran recently.

Mirroring the economic performance of the country whose flag it carries, the company has come from nowhere in 1989, when it was spun off from the ministry of defence, to emerge as the region's fastest-growing airline.

Growth has averaged 35 per cent a year since 1991, when its ageing Soviet-made Tupolevs and Yaks carried 462,000 passengers. Last year, 2.5m people flew in its new fleet of Airbus 320s, Boeings and French-made ATRs.

Management plans an aggressive expansion campaign involving $700m in investment, 85 per cent of which it hopes will come from foreign banks and export credit agencies.

Image-makers at the Ball Partnership, the company's advertising agency, have been polishing up Vietnam Airlines as a brand name. Foreign bankers already perceive it as one of the country's few well-managed and profitable state-run concerns.

But the hard part is yet to come. As Mr Luong Hoai Nam, director of marketing planning, admits, traffic growth has started to sag. Both business and tourist travel to Vietnam are growing more slowly, reflecting the country's emerging-market growing pains.

That raises the question how soon it can realise its ambition, to become an important player in the Asia-Pacific, competing with the likes of Singapore Airlines, Thai Airways and Cathay Pacific.

The challenge will be how to maintain sufficient cash flow to attract the foreign bank financing needed to build up its fleet.

"It's true that growth is declining. We're trying to be as ambitious as possible as far as it's feasible from a resource point of view," says Mr Nam, a fluent English speaker.

Traffic growth last year was weaker than expected, at 18 per cent over the 1995 figure. Vietnam Airlines forecasts that this year it will carry only 15 per cent more people than in 1996.

Analysts say that cutting the decline in growth will become increasingly difficult once the airline starts its regional push in earnest.

"They're still operating pretty lean but there will come a time when competition and their operating costs will start to build up and eat into the operating margin which they have at the moment," one banker says.

A lingering obsession with secrecy at state-run companies means that Vietnam Airlines does not reveal profit figures. But turnover for 1996 was $450m, up from $400m in 1995, according to Ms Tran Hong Phuong, investment department manager.

One possibility is to raise funds through a stock market listing. But Vietnam does not yet have a bourse, and an exchange is unlikely to be opened for at least two years. Even then, Vietnam Airlines may not be among the first candidates, as the government may wish to maintain control.

Mr Nam says that care must therefore be taken over expansion. A team is working on a master plan for up to 2010. It covers "everything from traffic forecasts, our targets for market share, profit and loss projections and financing solutions," Mr Nam says.

Government approval is still pending, but the plan envisages adding 60 new aircraft to today's fleet of 20. The company will continue diversifying away from its reliance on Airbus, but not too far. "We have to co-operate with all aircraft manufacturers, but we're not looking to have many types [of aircraft], as it's costly," Mr Nam explains.

Most of the new aircraft – some of which will for the first time be bought rather than leased – will be put in service in the Asia-Pacific region.

That assumes Vietnam Airlines can negotiate more flights to destinations in the region, and this depends on what reciprocal concessions Vietnam's government is prepared to offer other airlines.

Talks on market access between the US and Vietnam have been bogged down for two years. Three US airlines – Delta, Continental and North West – want to fly to Vietnam, but Hanoi is reluctant to allow them to pick up passengers en route, known as "fifth-freedom rights".

"Of course, Vietnam Airlines does not support the exercise by foreign carriers of fifth-freedom rights. No country is 100 per cent open. The market should be regulated somehow," says Mr Nam.

However, analysts say the first priority is to improve service. That is more important than price in the Asia-Pacific market, they say, and will be pivotal to Vietnam Airlines' performance.

Some progress has been made. In-flight catering has improved since a joint venture with Cathay Pacific. The company will launch a frequent-flyer programme this year and raise the advertising budget slightly from its current $4m.

Ground staff are being trained abroad, while more than 30 Vietnamese pilots have been instructed in France, many at Airbus Industrie's training centre.

One is a former air force officer who, on the last day of the Vietnam war, defected from the South Vietnam Air Force and bombed the presidential palace.

Personality will be the key to improving Vietnam Airlines' performance, according to Mr Nam. "We always focus on personality, the personal interface between staff and customers. It's our philosophy."

Jeremy Grant

Vietnam Airlines

Fleet

10	Airbus 320s
4	Boeing 767-300ERs
6	ATR 72s
3	Tupolevs

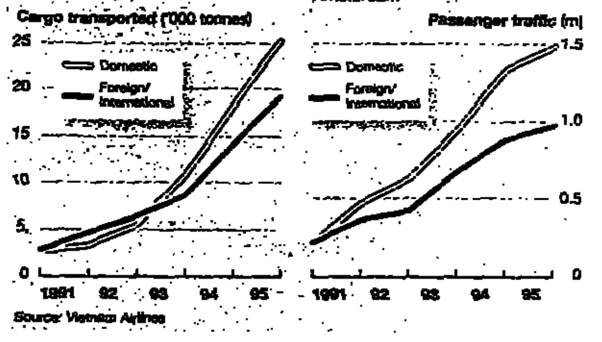
Share of routes (%)

Vietnam Airlines	43.8
Others (18 foreign airlines)	56.2

Turnover
($m, profit not available)

1995	320
1996	400
1997	450

Routes
Asia-Pacific: Seoul, Osaka, Taipei Kaoshung, Hong Kong, Guangzhou, Manila, Singapore, Kuala Lumpur, Vientiane, Phnom Penh, Bangkok, Sydney, Melbourne
Other: Moscow, Paris, Dubai.
(Under code-sharing arrangements with other airlines: Berlin, Vienna, Amsterdam



Source: Vietnam Airlines

China Southern eyes its country cousins

China Southern Airlines, China's fastest-growing carrier, is on the acquisition trail. It has set its sights on the country's smaller airlines, many of which are loss-making with little prospect of recovery in an overcrowded market.

But Mr Li Yongzhen, deputy director of China Southern's "privatisation office", says regional pride is delaying a long-anticipated shake-out in the aviation sector.

Provincial officials view their airlines as local "flag carriers" and are loath to relinquish control to larger airlines. However, mounting losses are likely to force a rationalisation of the sector.

"In China," Mr Li comments, "profit and efficiency are not always the highest priorities."

Among China's two dozen or so airlines, only five are believed to be making money: Air China, the national carrier; China Southern, in Guangzhou; China Eastern, in Shanghai; China South-West, in Chengdu Sichuan province; and China Northern, in Shenyang.

Other smaller airlines in busy coastal areas such as Shenzhen and Hainan Island are probably making ends meet, according to Mr Li, but economies of scale make it difficult for them to compete with larger carriers.

China Southern is planning stock market listings this year in Hong Kong and New York and is anxious to to emphasise its expansion plans. These include taking over Fujian Airlines. It is in discussions with other regional carriers, including Wuhan Airlines in central China.

Mr Li says: "It is difficult to negotiate on a commercial basis, although we are in a transition from a centrally planned to a so-called market economy."

> Traffic is expected to pick up in 1997. This will benefit larger, cost-efficient carriers such as China Southern, which has 28 per cent of the domestic market, and whose fleet is growing rapidly

In Beijing, an aviation analyst said China Southern would probably delay acquisitions until it had completed its capital-raising abroad. But the "likely trend" was towards shake-out in the industry, he said.

Beijing approved a rash of new airlines in the the early to mid-1990s, but froze approvals in 1994 after a series of accidents and hijackings.

Foreign investors are eyeing smaller airlines, though Beijing has placed a 35 per cent "cap" on foreign ownership.

Hainan Airlines is 25 per cent owned by American Aviation Investment, a fund partly controlled Mr George Soros, the US investor. Hainan is the first Chinese airline to become a joint venture company.

Rising fuel costs and a lingering credit squeeze have hit China's aviation sector hard. It has been toughest for the smaller enterprises, especially those operating in China's vast hinterland.

Passenger traffic had been growing at about 20 per cent between 1992 and 1995, but fell back to about 15 per cent growth in 1996.

Traffic is expected to pick up in 1997. This will benefit larger, cost-efficient carriers such as China Southern, which has 28 per cent of the domestic market, and whose fleet is growing rapidly.

China Southern's passenger volume grew by 20 per cent last year, from 12m in 1995 to about 15m, but profit growth was static.

The carrier expects to raise about $250m in Hong Kong and New York to fund new aircraft purchases. It has about $1bn invested in its fleet, with additional investment of $700m planned.

It is to buy 17 Airbus A-320s over the next two years. Mr Li said it also intended to add four or five Boeing 747s by 2000, provided traffic on the new Guangzhou-Los Angeles route justified it.

China Southern already operates subsidiaries, including carriers in the coastal cities of Xiamen, Shantou and Zhuhai.

Tony Walker

Profits slip at San Miguel

By Justin Marozzi in Singapore

San Miguel, the Philippines' largest beer and food company, yesterday reported a drop in net earnings for 1996, after a decline in income from beer sales.

Net earnings before exceptionals slipped 2 per cent from 5.38bn pesos in 1995 to 5.26bn pesos ($200m) in 1996.

The group made a one-off gain of 830m pesos from the write-back of previous provisions and the sale of certain assets.

Earnings per share fell from 2.63 pesos to 2.57 pesos. The group's B-shares shed 3 pesos to close at 105 pesos.

Group sales improved 11 per cent to 85bn pesos from 76.6bn pesos. Domestic beer sales, which account for 29 per cent of group turnover, picked up 4 per cent to 24.9bn pesos.

However, operating income for domestic beer slipped by 4 per cent to 3.7bn pesos, because of high malt prices and higher depreciation levels. Home market share increased from 81 per cent to 83 per cent.

San Miguel is expected to be hit by a 10-12 per cent rise in beer costs. This is the result of a new tax specific to beer, introduced in December. It replaces the previous value-added tax, which was based on production costs.

One analyst commented: "So far, the group has not passed on this increase to the public. But when it does, it may lose market share, or the market may shrink."

Soft drinks improved operating income from 4.1bn to 4.6bn pesos, after strong performance from Coca-Cola, which has a 76 per cent market share. Sales rose 20 per cent to 26.3bn pesos.

The new property division doubled profits from 419m to 881m pesos after it sold a 10 per cent stake in a head office site.

Operating profits in the food division, which sells processed meats, chicken, feeds and dairy products, bounced back 35 per cent to 1.85bn pesos from 1.37bn pesos a year earlier.

With tougher competition from Asia Brewery, the group owned by Mr Lucio Tan, the Chinese-Filipino businessman, and a domestic market share which most observers believe has peaked, San Miguel has embarked on an aggressive $1.6bn overseas expansion programme.

Mixed outlook for insurers

By Gwen Robinson in Tokyo

The ability of Japan's non-life insurers to survive deregulation has drawn divergent views from the two main credit rating agencies.

Moody's Investors Service yesterday changed its rating outlooks for Yasuda Fire and Marine Insurance and for Mitsui Marine and Fire Insurance, two of Japan's largest non-life insurers, from "stable" to "negative".

Moody's said that while the financial strength of the two companies remained "quite formidable", deregulation would challenge their management capabilities.

However, Standard and Poor's affirmed its "stable" ratings for Mitsui Marine and Fire and three other Japanese non-life insurers: Dowa Fire and Marine Insurance; Sumitomo Marine and Fire Insurance; and Nippon Fire and Marine Insurance. S&P pointed to the recovery in underwriting in the year to end-March 1996.

Japan last month agreed with the US to open its insurance market to foreign competition and to deregulate its non-life insurance market by July this year.

US airline industry enjoys profitable year

By Richard Tomkins in New York

The US airline industry enjoyed its most profitable year on record in 1996, latest results from the big carriers show, but soaring fuel costs and low fares slowed the growth in the final quarter.

Some companies – notably United Airlines parent UAL, American Airlines parent AMR, and Delta Air Lines – improved their fourth-quarter performance, but Northwest Airlines, USAir and Southwest Airlines showed declines.

Big profits have also come as a mixed blessing for some airlines because they have brought the threat of labour confrontation as employees press for big pay rises.

American Airlines is facing the possibility of a strike by its pilots following the breakdown of pay talks, and employee ownership at United Airlines seems to soured somewhat following a similar row over pilots' pay.

Understandably, employees who made sacrifices to help their companies through the hard times are saying they should be rewarded with pay rises now their employers are making record profits.

The airlines are trying to tell them that a jump in labour costs will simply plunge them back into the financial crisis they have struggled so long to emerge from: but it is a hard message to get across, especially at a time when many airline executives are getting profit-related bonuses.

The background to the recent surge in profitability is a continuing rise in passenger numbers, driven by growth in the US economy. This has enabled airlines to fill a higher proportion of aircraft seats at higher fares, so lifting revenues and profits.

For example, Tuesday's figures from United Airlines showed its load factor (the average percentage of seats filled) rising from an already high level of 70.5 per cent to

US airlines: 4th quarter results

Net profit (loss), $m	Fourth quarter		Full year	
Airline	1996	1995	1996	1995
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMR	284	(282)	1,016	162
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Northwest Airlines	21	39	573	393
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Continental Airlines	47	41	319	224
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Southwest Airlines	28	43	207	182

Note: Profits are net of preferred stock dividends. Source: company reports

71.7 per cent for the full year, and revenue per passenger mile rose from 11.79 cents to 12.35 cents.

But in the fourth quarter, big rises in fuel costs dented profits. United Airlines saw its fuel bill soar by 27 per cent to $578m, accounting for 15 per cent of the company's total operating expenses.

Another problem in the fourth quarter was the effect of higher fares. Business fares rose sharply during the year as a whole – by an average of 9 per cent, according to the American Express Business Airfare Index. This resulted in a lot of empty seats in the fourth quarter, prompting some airlines to hold fare sales that weakened yields.

Among the gainers, UAL topped analysts' expectations with its fourth-quarter results. Its load factor hardly improved, edging up from 69 to 69.2 per cent, but revenue per passenger mile rose by 4.5 per cent, producing a big increase in revenues.

UAL said that if its employee share ownership scheme was complete, the figures would have shown net profits moving up by 67 per cent to $142m. But even on a conventional accounting basis, the airline reduced its fourth-quarter losses from $81m to $21m.

AMR, which is currently trying to cement a global alliance with British Airways, also beat analysts' expectations: fuller aircraft and higher fares helped it produce a 36 per cent increase in underlying net profits to $122m. After a number of special charges, the reported figure showed losses of $282m turning into profits of $284m.

Delta Air Lines also surpassed analysts' expectations, lifting net profits from $48m to $123m.

The airline said cost-cutting lay behind the gain: in spite of rising fuel costs, its unit costs rose by just 1 per cent while revenues rose by 8.5 per cent.

Continental Airlines also continued its recovery, recording a respectable profit increase. But Southwest Airlines, so often a stellar performer, saw an uncharacteristic downturn in profits because some aggressive fare sales lowered yields. It also incurred the cost of expanding its network in the north-east.

USAir was another loser: some special items for employee profit-sharing schemes caused fourth-quarter net profits to tumble from $38m to $6m. The company said net profits would have risen from $60.3m to $106m without the charges, but Mr Stephen Wolf, chairman and chief executive, warned that the airline had to get its costs down to compete with expanding low-cost carriers.

Northwest Airlines saw profits fall because it was unable to shrug off the cost of increased fuel bills, higher maintenance expenses related to increased flying, and an increase in staff. But America West recovered from a poor third quarter to resume its upward trend.

AMERICAS NEWS DIGEST

Inflows to US funds at record

Cash flows into bond and equity funds last month were $15.02bn, falling short of previously published estimates for the month by 11 per cent, according to figures released by the Investment Companies Institute. But total flow into equity funds for the year was confirmed as a record by a wide margin, at $222.08bn, well ahead of 1995's $128.22bn. All mutual funds, including money market funds, took in $324.97bn for the year, and the industry now manages $3,540bn in assets.

Although December's inflow was the second smallest monthly gain for the year, analysts were inclined to attribute it to technical factors, with some investors taking losses, or deferring investments, in the last month of the tax year. Combined assets of all funds actually decreased during the month by $7.86bn, or 0.2 per cent.

For the year, assets of equity funds grew 38.1 per cent, of which roughly half was accounted for by net new cash, and the remainder by investment performance. In 1995, new money had only accounted for a third in the growth of equity funds' assets. Anecdotal evidence suggests that most of the largest companies are now attracting more money this month than they did in January of last year, when the industry took in a record $57.12bn.

John Authers, New York

IBM plans stock split

International Business Machines announced a two-for-one stock split, planned for May 9, pending shareholder approval. The split would raise the number of common shares outstanding from 750m to 1.875bn. The move is expected to make IBM's shares more attractive to small investors. It may also reduce the impact of swings in IBM's share price on the Dow Jones Industrial Average. IBM is currently the highest-priced stock in the average, which treats price moves in all 30 stocks equally.

IBM's share price fell by 13 per cent in the four trading days after the company reported its year end results last week but has begun to pick up over the past two days. In mid-session yesterday IBM was trading at $154⅝, up $8⅝ from Tuesday's closing price.

Louise Kehoe, San Francisco

Monsanto to pay premium

Monsanto, the St. Louis-based company that is transforming itself into a biotechnology company from its base as a chemicals concern, said it would pay a sharp premium to acquire the remaining shares of Calgene that it does no already control. The transaction is valued at about $217m.

The deal will give Monsanto complete ownership of Calgene's extensive research into plant genetic engineering, where it has been a pioneer in fruit and vegetable research, and designing seeds that yield enhanced vegetable oils. Monsanto last year acquired a 54.6 per cent controlling interest in the California-based Calgene, and has been actively sharing its technology.

Monsanto has offered to pay $7.25 a share to acquire the remaining interest in the company, or about 30.2m shares. That compares with Tuesday's closing price for Calgene on the Nasdaq of $5.50, share, and is near the stock's 52-week high of $7.37½.

Laurie Morse, Chicago

DMR buys Qadrant stake

DMR, the Montreal-based consulting arm of Amdahl, the US information technology group, has bought Qantas Airlines' 49 per cent interest in Australia's Qadrant International, an airline systems integrator whose software is used by 30 carriers. DMR would not reveal the price, but it will now own 100 per cent of Qadrant, which has about 100 employees.

Robert Gibbens, Montreal

Lower prices hit SPCC

Southern Peru Copper Corp cited lower copper prices for a decline in fourth-quarter earnings from $68.4m a year earlier to $48.3m, as sales slipped from $241.3m in the fourth quarter of 1995 to $202.9m.

Copper mine production in the fourth quarter of 1996 increased 11.7m lbs over the fourth quarter of 1995 to 173.5m lbs, the company said. Production for the full year 1996 totalled 678.1m lbs, an increase of 21.7 per cent over 1995.

SPCC is 54.1 per cent owned by Asarco, 15 per cent by Marmon Corp, 13.8 per cent by Phelps Dodge and 17.0 per cent by common shareholders.

Reuter, New York

Grupo Imsa buys into Comesi

Grupo Imsa, a Mexican steel, automotive parts and construction products maker, has bought a 26 per cent stake in Comesi, of Argentina, for $12.4m.

Imsa has the option to purchase an additional 25 per cent of the Argentine manufacturer of coated steel, which could become effective in the next 12 months.

AP-DJ, Monterrey

Ford fears strong dollar after losses overseas

By Richard Waters in New York

Ford Motor yesterday reported that it lost $352m outside North America last year, and warned that the red ink would continue to flow in Europe and Latin America this year.

The US's second-biggest auto maker added to the complaints from Detroit in recent weeks about how the rise in the US dollar could hamper the international competitiveness of US manufacturers.

Mr John Devine, chief financial officer, said the dollar's rise against the yen was "a big problem for the car and truck business, and a big problem for the US balance of payments."

He said that the current exchange rate would hinder attempts to sell US vehicles in Japan. It was already helping Japanese manufacturers to lift their share of car sales in the US.

Ford reported after-tax profits of $1.2bn, or 99 cents a share, for the final months of last year, in line with Wall Street's expectations.

That was nearly double the level of a year before, when earnings were hit by the cost of launching a number of new models. Sales rose 12 per cent to $39bn.

The latest quarter showed an improvement in the company's US auto manufacturing, where profits rose to $628m; but continuing troubles elsewhere, where losses reached $238m.

Ford is in the midst of relaunching its South American operations, and has begun to grapple with high costs in Europe. Most recently, it announced plans to cut the work force at its Halewood plant in the UK.

The company's financial services group once again provided the earnings that underpinned its overall performance - although rising credit losses led to a decline in earnings from its vehicle financing unit, Ford Credit.

The financial services units contributed $814m in net income in the final quarter. They made $2.8bn net income for 1996 as a whole, after a one-off gain of $512m.

That helped Ford overall to register a 7 per cent increase in net income last year, to $4.4bn, or $3.64 a share. Sales also rose 7 per cent, to $147bn.

The improvement in its US auto making business, which accounts for around two thirds of total revenues, helped lift Ford's after-tax profits to $765 on each vehicle sold in the final quarter: the highest for the year, and well ahead of the $235 a vehicle a year ago.

Chrysler made more than $1,000 on each vehicle sold in the final quarter, reflecting its emphasis on higher-margin light trucks. General Motors, held back by strikes in the US, made $115 a vehicle.

Philip Morris advances despite shrinking market

By Richard Tomkins in New York

Philip Morris, the US food and tobacco group, achieved a surge in profits from domestic cigarette sales in the fourth quarter in spite of a shrinking market, the company reported yesterday.

With its flagship Marlboro brand leading an increase in market share to 47.8 per cent, up 1.7 percentage points, the US tobacco operations lifted operating profits by 14 per cent from $943m to $1.075bn.

Combined with strong performances from international tobacco and the food operations, the increase helped lift Philip Morris's fourth-quarter net profits by 16 per cent to $1.47bn.

Earnings per share, lifted by the company's extensive stock repurchase programme, rose by 18 per cent to $1.81, just above the $1.80 expected by analysts. During the year, Philip Morris bought back 28.6m shares at a cost of $2.8bn.

International tobacco increased operating profits by 17 per cent to $853m in the fourth quarter, while international food recorded a 12 per cent increase to $456m and domestic food recorded an 11 per cent increase to $556m, excluding discontinued operations. Miller Brewing continued to be weak, reporting unchanged operating profits of $48m.

For the full year, net profits rose by 15 per cent to a record $6.3bn, excluding the effect of accounting changes the previous year, and earnings per share rose by 19 per cent to $7.68.

Philip Morris said the total return to shareholders for the year, including stock price appreciation and re-invested dividends, was 30.9 per cent, compared with 23 per cent for the Standard & Poor's 500.

A record 891bn cigarettes were sold during the year, up 9.3 per cent from 1995, and overall volume for Marlboro, the world's best-selling cigarette, rose 8.7 per cent to a record 458bn.

Outside the US, big volume increases offset the effect of adverse currency movements, with the year's total of 660bn cigarettes representing a gain of 11.3 per cent on a year ago. Most big markets showed increases.

On the food side, the divestment of low-margin business helped Kraft Foods' results, but the business also benefited from volume gains, continued cost reductions and acquisitions.

Kraft Foods' volume in the North American market climbed a record 4.5 per cent driven by solid growth in most categories, increased sales force effectiveness and new products.

International food also saw gains in most markets, with cost savings helping fund higher marketing investments.

ITT expected to fight Hilton bid

By Richard Tomkins in New York

A bitter bid battle between Hilton Hotels and ITT loomed yesterday. Analysts said ITT would not succumb to Hilton Hotels' $6.5bn unsolicited takeover approach without a fight.

There was speculation that ITT might seek to defend itself against Hilton Hotels by launching a counter-bid against the company.

On Tuesday, Hilton Hotels' shares shot up $2⅝ to $27⅝. They rose another $1¼ in early trading yesterday.

"I think there's a school of thought that perhaps the tables might turn," said one observer close to the situation. "Hilton's going to take on $10bn worth of debt to do this. Why would their shares be up unless somebody thought it might be in play itself at some point?"

The $55 a share offer would cost Hilton Hotels a total of $10.5bn including ITT's debt. ITT's shares were up $1 at $57¼ in early trading yesterday, with the premium to the offer price reflecting the market's expectation of a bid battle.

Mr Harold Vogel, analyst at Cowen Company, the investment bank, said Hilton Hotels would have to raise its offer to at least $60 a share to stand a chance.

Mr James Murren, analyst at Deutsche Morgan Grenfell, said in a report that ITT's assets were worth $70 a share. "We expect ITT to mount an aggressive defence," he said.

ITT's board said on Monday it would consider Hilton Hotels' approach and give its response within 10 business days. It is expected to use most or all of that time to consider its strategy. So it may not respond until the end of next week.

Meanwhile, ITT has called in advisers from Lazard Freres and Goldman Sachs, the investment banks, and from Cravath Swaine & Moore, the law firm.

Hilton Hotels is being advised by Donaldson Lufkin & Jenrette, the investment bank, and Wachtell Lipton Rosen & Katz, the law firm.

One obstacle to a takeover by Hilton Hotels is ITT's "poison pill" shareholder rights plan, which is triggered when a single entity acquires a stake of 15 per cent in the company.

The plan gives all other shareholders the rights to acquire additional shares in Hilton Hotels while denying them to the entity with the 15 per cent stake.

Mr Stephen Bollenbach, Hilton Hotels' chief executive, has urged ITT to suspend these rights.

Fergus Wilkie

Stephen Bollenbach: has urged ITT to scrap its 'poison pill'

Du Pont reports record earnings

By Tracy Corrigan in New York

Du Pont, the US chemicals company, yesterday reported record earnings for the quarter and for the year, thanks to the strong performance of its Conoco oil and gas business.

Fourth-quarter earnings of $1.52 per share were up from $1.28 in the fourth quarter of 1995, excluding 1995 non-recurring charges, but slightly below analysts' estimates of $1.55. Net income for the fourth quarter was $858m, up from $627m in 1995.

Fourth-quarter sales of $11.4bn were 10 per cent higher than in the same period of 1995, driven by a 26 per cent increase in petroleum sales.

Conoco's strong sales were the result of higher prices and a 10 per cent volume increase.

But the chemicals business was hurt by a 4 per cent fall in selling prices in the fourth quarter. Chemicals and speciality chemicals sales were down 2 per cent for the quarter, but, adjusting for the divestiture of a medical products businesses and the formation of the Du Pont Dow Elastomers joint venture, sales rose 6 per cent.

The company said it has "regained financial flexibility" by completing repayment of the $8bn of debt incurred in 1995 to redeem shares from Seagram and by repurchasing for $500m the 156m warrants issued to Seagram.

Mr Jeff Cianci, an analyst at Bear Stearns, expects Du Pont to use its strong cash flow to build up its pharmaceuticals and agricultural products business.

Last year the company created a separate life sciences segment, made up of its agricultural products and pharmaceuticals business.

This leaves a diversified businesses segment, consisting of what it calls "remaining businesses" including films, photopolymers, coal, printing and publishing.

The company described the action as "a recognition of the increasing importance of the earnings contribution of life sciences" and a move to "focus more attention on a business segment that will be a key growth area in the future".

Ultimately, the business is widely expected to be spun off, but "they have to build it up first," believes Mr Cianci.

Mr Paul Raman, chemicals analyst at PaineWebber said that the prospect of the company selling or spinning off parts of its business this year should help boost its share price.

There has been speculation that the first move will be to divest Conoco, perhaps later this year. The company declined to comment.

In a statement, Mr John Krol, Du Pont's president and chief executive officer said that "we have taken a number of significant steps toward strengthening and positioning our business portfolio for profitable growth".

Throughout Latin America

Morgan means more solutions for clients

In equity

J.P. Morgan was the leading manager of equity and equity-linked issues in Latin America in 1996.

Telefónica del Perú

US$918,246,250
44,792,500 American Depositary Shares
Representing 447,925,000 Class B Shares

J.P. Morgan & Co. acted as joint global coordinator and joint book runner on this issue

JPMorgan

July 1996

In Yankee bonds

J.P. Morgan was the leading manager of Yankee bonds and all debt issues in Latin America in 1996.

ENERSIS

Enersis S.A.

US$300,000,000
6.90% Notes due 2006
US$350,000,000
7.40% Notes due 2016
US$150,000,000
6.60% Notes due 2026

J.P. Morgan & Co. acted as lead manager on this issue

JPMorgan

November 1996

In sovereign debt

J.P. Morgan created the most innovative debt structure of the year.

United Mexican States

US$6,000,000,000
Floating Rate Notes due 2001

J.P. Morgan Securities Ltd. acted as co-arranger and joint book runner on this issue

JPMorgan

August 1996

In structured transactions

J.P. Morgan was the leading manager of cross-border structured transactions for Latin American clients in 1996.

YPF

YPF Sociedad Anónima

27,800,000 Barrels
Forward Sale of Oil

J.P. Morgan & Co. acted as arranger and advisor to YPF Sociedad Anónima on this transaction

JPMorgan

November 1996

In loan syndications

J.P. Morgan ranked among the top loan arrangers in the region.

Santa Fe de Bogotá
Distrito Capital

$195,000,000
5-year Senior Term Loan Facility

J.P. Morgan & Co. acted as co-arranger on this facility

JPMorgan

December 1996

In mergers and acquisitions

J.P. Morgan was the number one advisor on Latin American mergers and acquisitions for the third consecutive year.

Telefónica Internacional
a subsidiary of Telefónica de España, S.A.

in a consortium with RBS Participações S.A., Compañía de Telecomunicaciones de Chile, Telefónica de Argentina S.A., and Citicorp, has acquired 35% of the ordinary shares of

CRT
Companhía Riograndense de Telecomunicações

for US$655,000,000

J.P. Morgan & Co. acted as sole financial advisor to T.I. Telefónica Internacional de España, S.A. on this transaction

JPMorgan

December 1996

JPMorgan

strategic advice • mergers & acquisitions • debt & equity capital raising • swaps & derivatives • credit arrangement & loan syndication • sales & trading • asset management

A leading UK investor suggests it should have advance talks on deals and strategy shifts

Pru would like warning of takeovers

By William Lewis and Martin Dickson

The Prudential Corporation, one of the UK's leading investment institutions, has set up a mechanism for companies in which it invests to hold advance discussions with it on possible deals or strategy shifts.

Mr Derek Higgs, chairman of Prudential Portfolio Managers, the Pru's fund management arm, says that because of a so-called 'Chinese Wall' which exists between him and PPM fund managers, they will not have to stop trading in the shares of companies which choose to consult him.

"It is not an imperative, you don't have to come, but it is an option. It is in the right direction for major shareholders to have ongoing constructive dialogue," Mr Higgs said.

Mr Higgs also said the chairmen and chief executives he has contacted "think it is a good idea". However, the policy is likely to prove controversial with some companies and competitor fund managers.

The Confederation of British Industry has called for the Hampel committee, the successor body to the Cadbury committee, to examine the effect of the Criminal Justice Act on shareholder-company communications. The CBI says there is "particular concern about the Act's effects on discussion of short- and medium-term plans". A competitor fund manager said: "We are all struggling to work out how to deal with the insider rules and it strikes me that this might just be seen in a couple of years as a brave move."

However, Mr Higgs says the system works because he is part of PPM's corporate finance team, which is physically separate from the dealing and fund management area.

The policy is described in a new 18-page pamphlet that details PPM's policies on key corporate issues such as rights issues, board structures and corporate governance.

It states "there may be occasions when PPM's views on the strategic direction of a company are sought, sometimes well in advance of a possible transaction". In such circumstances, the pamphlet states, "no entry will be made on the restricted dealing list, but the information would be retained within PPM Corporate Finance and the 'Chinese Wall' operates".

The pamphlet, 'Issues arising from share ownership' has recently been sent to PPM clients.

Mr Higgs joined PPM a year ago from SBC Warburg, the investment bank. PPM has a portfolio worth £88bn, and holds approximately 3.5 per cent of the UK stockmarket.

WH Smith prepared for growth

By Peggy Hollinger

Fergus Wilkie

Bill Cockburn (left) and Jeremy Hardie, chairman: results are a first-term report card

Mr Bill Cockburn, chief executive of WH Smith, yesterday claimed to have cleared the decks for growth as the high street newsagent announced a sharp jump in interim profits from £17.3m ($28.9m) to £38.6m.

"We have created the springboard for the sales growth which is vital to success," he said. While sales from continuing businesses increased 2 per cent to £1.29bn in the six months to November 30, December had shown a 3 per cent improvement which was being sustained.

"I am more optimistic now than I was 12 months ago," said Mr Cockburn, who in his first year as chief executive was forced to announce the group's first ever loss.

The company had been refocused, peripheral businesses sold and cost cuts to save £14m a year, including 600 job losses, had been implemented. Net margins rose from 2.6 per cent to 3.4 per cent.

But Mr Cockburn added that the interim results were merely the first-term report card in a course expected to last a further three years. "It is a step in the right direction, but there is a lot more to do," he said.

Analysts welcomed Mr Cockburn's caution. "You are either a believer or you are not," said one. "They have delivered everything they have said they would so far, but they are now at the crucial point and the evidence is still scant."

The core newsagent business showed a 1.5 per cent increase from existing stores, which Mr Cockburn admitted was "not very exciting". However, he said it was acceptable given the disruption caused by reducing product lines by 30 per cent, clearing stock and improving availability. He pledged to turn his attention to developing a strategy of innovation which would boost sales.

As part of this, WH Smith has decided to roll out its new Discovery educational toy concept to its larger high street stores and introduce music in selected outlets.

The group will also decide in the next few weeks whether to extend the loyalty scheme it is testing in the north-east of England. WH Smith will offer the card to children.

The dividend is held at 5.25p, with earnings up from 4p to 9.3p.

Grade confirms move to lead First Leisure

By Raymond Snoddy and Scheherazade Daneshkhu

Mr Michael Grade, the outgoing chief executive of Channel 4, said yesterday he was really excited after 23 years in the television industry at the prospect of going home in the evening and "not having to watch television".

He was speaking as he confirmed that he is to become executive chairman of First Leisure, the bingo and entertainments group where he has been non-executive chairman since 1995.

To mark his new full-time business career, one of the most charismatic figures in the British television industry set aside his trademark cigar, red braces and red socks and wore a sober suit.

Mr John Conlan, who helped found First Leisure in 1983 with Mr Grade's uncle, the late Lord Bernard Delfont, said he was standing down as chief executive but would stay during a period of transition.

Mr Grade, who astonished British broadcasters by suddenly resigning from Channel 4 on Monday, said he was looking forward to running a well-managed and ambitious company. First Leisure had been "Bernie's wheeze on the back on an envelope which has grown into a £600m capitalised company". He said he hoped his uncle would have approved of his decision.

The company's strategic direction would be unaltered under his leadership. "I shall ensure First Leisure continues on its present and highly successful course."

However, last year was difficult for First Leisure; its share price underperformed the market by more than 15 per cent, raising the possibility of the company being vulnerable to a takeover bid.

Asked whether he had an interest now or in the forseeable future in any part of Rank Film Distributors – the film distribution business which Rank Group is believed to have put up for sale – he replied he had not.

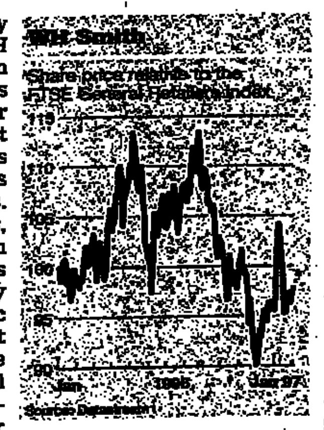
Mr Conlan said he went to Mr Grade in December and said that after 14 years at First Leisure he wanted to take up some other business interests.

Mr Grade will take up the position by July 31 on his release from Channel 4.

Mr Conlan has a two year contract and almost certainly received more than £540,000 in 1995 – the highest sum paid to a First Leisure director. Last year at Channel 4, Mr Grade's remuneration totalled £450,000.

LEX COMMENT

WH Smith



Mr Bill Cockburn may have managed to pull WH Smith out of the relegation zone, but on yesterday's evidence the premier league remains a distant ambition. To be fair, his first year at the helm is not without achievements. In the core retail business, a new management team has been installed, costs reduced and necessary progress made in basic areas such as efficient stock management. The company, however, is still struggling to increase revenues: even allowing for disruptions, 1¼ per cent like-for-like sales growth in the seven months to December is weak. Any improvement will rest heavily on whether Mr Cockburn's "soft" initiatives – focusing and rewarding management better, and improving the store sales culture – deliver fruit.

Second half results should benefit as recent changes bed down. Longer term success, however, will require Mr Cockburn to transform WH Smith from a well-known name into a valuable brand. At the moment, with own-brand sales below 20 per cent, it is too much of a warehouse for other people's products, leaving it vulnerable to new competitors, particularly supermarkets.

Given that much of the WH Smith story is still at the level of promise rather than delivery, the share's discount of about 6 per cent to market earnings in 1997 seems appropriate. Some successful new releases from bands like Oasis could boost the group's music sales, but it would be a brave investor who relied on the Gallagher brothers for salvation.

FKI walks away from Newman

By Tim Burt

FKI, the diversified engineering group, has abandoned its £189m ($315.6m) bid for Newman Tonks, the architectural hardware company, following a £230m counter-offer from Ingersoll-Rand of the US.

The company said it was disappointed to have lost out to the US industrial equipment manufacturer, but vowed to pursue other acquisitions in the sector.

Mr Jeff Whalley, FKI chairman, said: "We felt we offered a sensible deal and I believe Ingersoll could have difficulty justifying the price they are paying."

FKI's mixed share and cash offer valued Newman Tonks at 148.4p a share, compared with the 179.4p cash offer from Ingersoll-Rand.

Mr Geoff Gahan, Newman Tonks chief executive, said: "I don't wish to gloat, but we have constantly said there was no logic in the price or commercial sense of FKI's approach."

Industry analysts believe FKI's bid costs could reach £5m, mainly in underwriting fees which would be taken against its forecast £110m profits this year.

But Mr Whalley said the group would not be deterred from similar bids and hinted it could make a cash offer of about £150m without stretching its balance sheet.

Wessex buy-back cuts WMI stake

By Jane Martinson

Wessex Water spent £182.5m ($304.8m) buying back almost 20 per cent of its shares yesterday in a deal which removed US-owned Waste Management International as its largest shareholder.

The shares touched 394p before closing up 2½p at 386p.

The initial burst was caused by renewed takeover speculation and the belief that Wessex may come back into the market to buy back more shares.

The Bristol-based utility paid WMI 355p for its preference shares, which were due to start paying a dividend next year. WMI also sold some of its ordinary shares to the company, but is left with a 3.2 per cent stake, which it can sell in the open market.

However, Wessex bought back fewer ordinary shares than it had originally planned to. It received acceptances for 6.68m shares, or 3.2 per cent of its issued share capital, at 380p. It had planned to buy 10.5 per cent.

Mr Nicholas Hood, chairman, called this reluctance of shareholders to sell a "statement of support".

Analysts expressed surprise that more shares were not sold.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Arabis	6 mths to Oct 31	22.2	(30.5)	0.204	(0.241♥)	0.2	(0.2)	nil	-	0.3	-	0.75
Beales Hunter	6 mths to Nov 30	33.2	(32.5)	1.51	(1.61)	10	(10.9)	2.9	Feb 28	2.9	-	10.7
Eurodis Electron	6 mths to Nov 30	151.7	(129.2)	3.06	(14.1♥)	2.66†	(26.15)	1.95	Apr 7	1.85	-	4.85
Feedback	6 mths to Sept 30	4.96	(4.12)	0.387L	(0.679L)	4.57L	(6.41L)	nil	-	nil	-	nil
Intl Greetings Φ	6 mths to Sept 30	18.7	(17.3)	2.26♥	(1.03)	34.3	(16.2)	6.5	Mar 5	5	-	15
Misys	6 mths to Nov 30	142.8	(129.5)	23.7	(19.2)	20.3	(16.9)	4.57	Apr 4	3.97	-	10.66
Rubicon	6 mths to Nov 30	119.7	(47.4)	8.04♠	(2.84)	6.6†	(6.8)	2.2	Apr 3	2.2	-	6
Smith (WH)	6 mths to Nov 30	1,291	(1,356)	38.6	(17.3)	9.3	(4)	5.25	Apr 1	5.25	-	15.65

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Lloyd's	6 mths to Sept 30	94.28	(88.51)	0.502	(0.56)	1.67	(1.87)	1.55	§§	1.55	-	3.57
Murray Income	6 mths to Dec 31 ★	409.5	(376.2)	5.63	(5.52)	6.58	(6.45)	2.85⚹	Apr 18	2.7	-	13.2

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §§Paid on December 30. ★Comparatives restated. ⚹Second interim; makes 5.7p to date. Forecast final of 5.35p would lift annual total to 13.9p.

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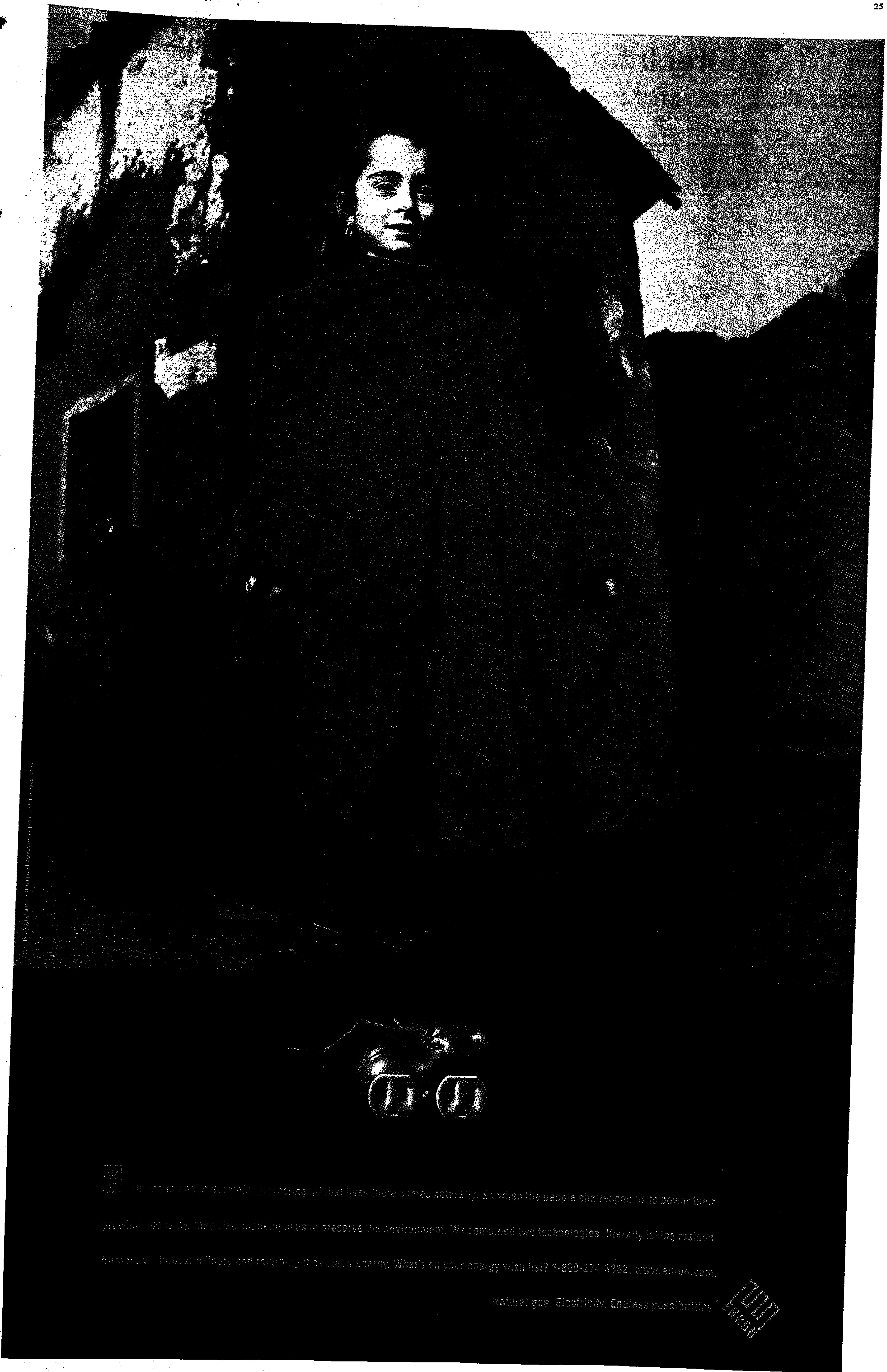
Investments



INTERNATIONAL CAPITAL MARKETS

D-Mark appreciation hits Italy and Spain

GOVERNMENT BONDS

By Edward Luce in London and Lisa Bransten in New York

The appreciation of the D-Mark against other European currencies and fears over the sustainability of convergence pushed Italian and Spanish bond prices sharply lower yesterday.

US prices dipped modestly during the morning in advance of the debut US$7bn debut auction of 10-year inflation-linked notes.

Traders said the depreciation of the lira and the peseta against the D-Mark yesterday and hints that the Italian government wants a more "competitive" lira had depressed bond prices.

A drop in German bunds, in response to the fall in US Treasuries overnight, also dragged European markets lower. German 10-year bund futures fell by 0.36 to close at 101.03.

"There was a bout of profit taking against the peripherals," said Mr Kirit Shah, chief market strategist at Sanwa International in London. "There is also a shift in expectations against a deep cut in Italian and Spanish interest rates."

Markets were also unsettled by concerns raised by Mr Hans Tietmeyer, the president of the Bundesbank, over "hidden" dissent on the independence of the future European central bank. The remarks were thought to be directed at France, which has argued for a political counterweight to the bank. Ten-year French bond futures fell by 0.28 to close at 130.24 on Matif.

Traders said that Italian bonds, which widened 8 basis points over equivalent German bunds to 154 points for 10-year July notes and 146 points for November paper, also suffered from pessimism over the chances of a German rate cut.

BTP March futures fell 1.05 to close at 130.82 on Liffe, while Spanish 10-year bono futures fell 0.91 to close at 113.44 in Madrid.

"People are taking a much harder look at Italy and Spain to see whether these tight spreads are justified," said Mr Luca Jellinek, bond strategist at Paribas in London.

However, traders say that if today's meeting between Mr José Mariav Aznar, prime minister of Spain, and Chancellor Helmut Kohl of Germany, produces a firm statement in support of Spain's entry into the first round of Emu, bonos will probably rally.

UK gilts also fell sharply over rumours of a possible general election in March. Publication of the minutes of the December meeting between Mr Kenneth Clarke and Mr Eddie George revealing wider differences over interest rates between the two than originally thought also depressed the market. UK long gilts fell by 11/16 to close at 109 25/32.

"Gilts could rally if election worries abate, but not for long," said Mr Philip Shaw, chief economist at Union Discount in London.

US Treasuries were lower early yesterday on overnight selling in Asia and Europe, but recovered their losses after the 8:30am release of figures showing a drop in durable goods orders in December.

Economists had forecast a modest gain in orders, so the weak figure – combined with a similar drop in November – soothed fears that the Federal Reserve might raise interest rates at next week's meeting of its open market committee.

"The back-to-back decline in orders does give Fed policy makers 'cause to pause' before they raise interest rates," said Mr Joseph Liro of CIBC Wood Gundy.

By early yesterday afternoon the benchmark 30-year Treasury was down 5/32 at 94-11/32 to yield 6.917 per cent while at the short end of the maturity spectrum, two-year notes were unchanged at 99 21/32, yielding 6.026 per cent. The March 30-year bond contract lost 1/8 at 109 21/32.

In "when-issued" trading, the 10-year inflation-linked bonds were yielding about 3.5 per cent, which was in line with the conventional 10-year note yield with the current rate on inflation stripped out. There were some worries on the market that demand at the auction might be poor because investors are not familiar with inflation-linked debt and because 10-year notes have come under some selling pressure in recent sessions.

Conventional 10-year notes were 1/16 lower at 99 to yield 6.631 per cent.

Lithuania set to abandon currency board

By Edward Luce

International Monetary Fund talks with the Lithuanian government this week will almost certainly result in the country scrapping its currency board regime in the next few weeks, at the same time as Bulgaria is expected to create its own, say economists.

The move, which comes in the wake of the 25 per cent real appreciation of the litas against the US dollar in the last 18 months and a corresponding growth in Lithuania's foreign trade deficit, is expected to trigger similar moves in Estonia and Latvia.

"The Baltics are a small family which has tended to move in tandem, and the tandem is now clearly moving towards flexible exchange regimes," said Mr Oliver Fratzscher, senior economist at Deutsche Bank in Frankfurt. "Once Lithuania has scrapped its currency board, which should be before the end of February, Estonia and Latvia will follow suit."

The Lithuanian government is reportedly planning to move to a "crawling peg" system which fixes the currency against the US dollar but pre-announces small monthly devaluations.

The "crawling peg" enables an economy to adjust to a more competitive exchange rate without unleashing the inflationary pressures associated with a large one-off devaluation.

Economists say the currency board regime, which is expected to be adopted by Bulgaria this year to restore confidence in its ruptured economy, outlives its usefulness once it has stabilised economic fundamentals.

All three Baltic countries have growing trade imbalances and pressures on their domestic banking sectors. The currency board, which is strongly anti-inflationary because the central bank pledges to match domestic liquidity with foreign exchange reserves, also limits the central bank's ability to support the domestic sector during a crisis.

"Bulgaria needs a currency board to restore its battered reputation and reassure investors it will not default on its foreign debt," a London-based fixed-income trader said. "But for countries such as Lithuania, it is more of a constraint than a benefit after it has served its initial purpose."

Lithuania has already reached agreement with the IMF to reduce average tariffs from above 50 per cent in some sectors to 20 per cent from March 1 is expected to announce its exit from the currency board before then.

Estonia, which set up its currency board two years before Lithuania in 1992, would probably follow suit within six months say traders. Latvia, which does not have a formal currency board but has pegged its currency, the lat, to the SDR (a basket of currencies defined by the IMF) is also expected to shift to a freer currency regime after Lithuania.

"The currency board has become a straitjacket in the Baltic states," said Mr Fratzscher. "Every year you lose competitiveness and within quite a short time the regime becomes a net cost rather than a benefit. For Bulgaria, however, it will prove absolutely vital to restore foreign confidence in its debt."

GMAC maiden global issue twice subscribed

INTERNATIONAL BONDS

By Samer Iskandar in London and Daniel Dombey in Mexico City

Primary activity was brisk yesterday, with several borrowers launching big issues.

Demand totalling twice the amount on offer allowed lead managers J.P. Morgan and Merrill Lynch to price General Motors Acceptance Corporation's maiden global bond at the tightest end of the announced yield spread range of 42–45 basis points over US Treasuries.

"GMAC fulfilled its aim to attract an international base of institutional investors," said Merrill Lynch. Almost 20 per cent of the bonds were sold in Asia, with the rest evenly split between US and European institutions.

The European Investment Bank adopted a structure similar to one recently inaugurated by Austria with its "parallel bonds". The EIB's 10-year bonds denominated in Dutch guilders can be redenominated in euros, the planned single European currency, from January 1999. The borrower can also consolidate the issue with identical bonds denominated in other European currencies.

ABN Amro, the lead manager, said the deal "fills a gap created by the lack of supply of high quality paper in guilders". It said demand was strong, mainly from local institutional investors.

Traders said if the EIB issued similar bonds in other currencies, it would create new arbitrage opportunities.

"It would allow investors to take a view on currency and interest rate convergence, while removing that portion of the spread due to credit differentials between countries", one trader said.

The Inter-American Development Bank tapped the sterling sector, which is still driven by strong retail demand fostered by the strength of the currency on the foreign exchange market and the fact that UK yields are currently the highest available in Europe.

Dresdner Kleinwort Benson and Hambros, the lead managers, said placement was favoured by the choice of a five-year maturity. A majority of recent issues have been concentrated on the three-year area of the yield curve.

Mexico raised L500bn with Chase Manhattan and Deutsche Morgan Grenfell as lead managers - its second foray into the sector. DMG reported heavy demand "which could easily have allowed us to double the size". However, Bank of Italy rules limit emerging market issues to L500bn.

"The advantages of this operation are the low cost and the diversification" it offers, said Mr Carlos Mendoza, the Mexican finance ministry's director of public credit.

Meanwhile, a DM500m issue by Turkey met strong demand, resulting in a 15 basis point tightening in the yield spread from the initial 275 basis points.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
GMAC	1bn	6.75	99.79R	Feb 2002	0.35	+42(w/5yr)	JP Morgan/Merrill Lynch
Osaka Gas Co	400	7.13	99.64R	Feb 2007	0.35R	+41(6½%-06)	Goldman Sachs
Southrn Co Cap Trust 1★#	300	(e)	(e)	Feb 2037	1.00	125(6½%-26)	Lehman Brothers
Parmalat Brazil(a)(s)	*150*	*9.13*	*99.92R*	*Jan 2005*	*0.63R*	*300(5⅞%-99)*	*Bank of Boston*
CIE Financiere de CIC‡	100	(b)	99.51	perpetual	0.50	-	*Chase Manhattan Intl*
NordLB(c)	100	5.00	99.15R	Mar 2001	0.23R	+18(5⅝%-99)	Kredietbank
D-MARKS							
Turkey	500	7.75	98.40R	Feb 2004	1.25R	275(6%-03)	Commerzbank/DMG
AUSTRALIAN DOLLARS							
Rabobank Australia(s)	100	7.25	101.62	Dec 2002	1.88	-	Toronto Dominion
STERLING							
IDB(s)	150	7.25	99.46R	Dec 2002	0.28R	+8(7%-02)	DKB/Hambros Bank
GUILDERS							
EIB(d)	1bn	5.75	99.10R	Feb 2007	0.33R	12.5(5¾%-07)	ABN Amro Hoare Govett
ITALIAN LIRE							
United Mexican States	500bn	9.13	99.40R	Feb 2007	0.60R	192(8¾%-06)	Chase Manhattan Intl
LUXEMBOURG FRANCS							
Argenta Nederland	2bn	5.10	100.00	Mar 2003	1.88	-	BCEE
DANISH KRONER							
Commerzbank Oseas Fin(s)	400	6.00	101.83	Dec 2003	1.88	-	ABN Amro HG/BBL
WestLB Finance	400	5.75	101.93	Mar 2003	1.88	+2(i)	Generale Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Put and call at par on 2/01/00. Coupon steps up to 9.75% after 3yrs. b) 3-mth Libor +55bp. callable at par after 5yrs when coupon steps up to 3mth Libor +1.30bp for yrs 6-10, then 3-mth Libor+205bp thereafter. c) Steps up to 7.50% after 2yrs. Issued off EMTN. d) Deal may be redenominated in Euros from 1/1/99. Issue may also be consolidated with other EIB issues with identical terms and conditions. e) To be priced today. Callable at par in 2007. i) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	94.9810	–0.200	7.48	7.32	7.49
Austria		5.625	01/07	98.4000	–0.260	5.84	5.78	5.96
Belgium		7.000	05/06	106.6500	–0.280	5.77	5.69	6.00
Canada *		7.000	12/06	102.3000	–0.340	6.68	6.55	6.69
Denmark		8.000	03/06	110.0200	–0.460	6.51	6.34	6.70
France	BTAN	5.500	10/01	104.1420	–0.140	4.51	4.44	4.71
	OAT	6.500	10/06	106.3100	–0.360	5.64	5.56	5.86
Germany Bund		6.000	01/07	101.3300	–0.390	5.82	5.74	5.92
Ireland		8.000	08/06	109.2700	–0.210	6.65	6.52	6.79
Italy		9.500	02/06	115.0600	–0.710	7.20†	7.11	7.44
Japan	No 143	6.300	09/01	121.4214	–0.250	1.39	1.35	1.39
	No 182	3.000	09/05	104.2184	–0.260	2.41	2.39	2.40
Netherlands		5.750	01/07	100.0400	–0.400	5.62	5.59	5.84
Portugal		9.500	02/06	118.5300	–0.710	6.70	6.62	7.02
Spain		8.800	04/06	113.7000	–0.920	6.74	6.63	7.07
Sweden		8.000	08/07	106.2178	–0.780	6.87	6.65	6.90
UK Gilts		8.000	12/00	103–05	–7/32	7.05	6.87	7.19
		7.500	12/06	98–23	–19/32	7.54	7.32	7.66
		9.000	10/08	110–18	–22/32	7.62	7.41	7.75
US Treasury *		6.500	10/06	99–02	–14/32	6.63	6.52	6.44
		6.500	11/26	94–21	–28/32	6.93	6.80	6.68
ECU (French Govt)		7.000	04/06	107.0700	–0.540	5.98	5.89	6.22

London closing. *New York mid–day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.03
Prime rate	8¼	Two month	-	Three year	6.16
Broker loan rate	7	Three month	5.19	Five year	6.38
Fed.funds	5⅜	Six month	5.31	10-year	6.64
Fed.funds at intervention	-	One year	5.56	30-year	6.92

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.32	130.24	–0.28	130.46	130.00	127,128	121,876
Jun	129.98	128.92	–0.40	128.96	128.76	202	15,177
Sep	127.30	127.24	–0.20	127.30	127.30	2	784

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
127	3.24	3.28	2.69	-	0.05	0.79
128	2.24	2.36	2.02	-	0.13	1.11
129	1.24	1.54	1.46	-	0.30	1.54
130	0.32	0.87	0.98	0.08	0.63	2.05
131	-	0.39	0.64	0.76	1.15	-

Est. vol. total, Calls 14,050 Puts 14,641. Previous day's open int., Calls 169,259 Puts 176,538.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.08	101.03	-0.36	101.25	100.83	223973	230472
Jun	100.23	100.14	-0.35	100.30	100.06	1418	7795

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
10100	0.65	0.52	0.75	0.93	0.62	1.38	1.61	1.79
10150	0.41	0.35	0.57	0.74	0.88	1.71	1.93	2.10
10200	0.24	0.24	0.43	0.58	1.21	2.10	2.29	2.44

Est. vol. total, Calls 20522 Puts 15696. Previous day's open int., Calls 182008 Puts 179053

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	131.65	130.82	-1.05	131.78	130.41	91138	115755
Jun	130.90	130.29	-1.02	130.90	130.17	871	9669

■ *ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%*

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
13050	1.19	2.15	0.87	2.36
13100	0.90	1.91	1.08	2.62
13150	0.67	1.66	1.35	2.87

Est. vol. total, Calls 6156 Puts 7718. Previous day's open int., Calls 142603 Puts 119577

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	114.15	113.44	–0.91	114.20	113.12	144,853	62,213
Jun	–	*113.36*	*–0.86*	–	–	–	*305*

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-12	109-31	-0-22	110-18	109-25	82745	175622
Jun		109-14	-0-22			0	551

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
109	1-34	1-38	1-62	2-16	0-36	1-10	1-34	1-52
110	0-59	1-06	1-31	1-48	0-61	1-42	2-03	2-20
111	0-32	0-45	1-06	1-21	1-34	2-17	2-42	2-57

Est. vol. total, Calls 2570 Puts 1985. Previous day's open int., Calls 35161 Puts 24389

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.74	96.54	–0.40	96.92	96.50	1,631	6,440

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	110–03	109–30	–0–04	110–08	109–14	487,471	468,401
Jun	109–15	109–15	–0–03	109–23	108–30	2,129	30,692
Sep	108–22	108–30	–0–06	109–03	108–18	98	5,881

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	125.94			126.18	125.82	2102	n/a
Jun	124.41			124.66	124.41	182	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Jan 29	Day's change %	Tue Jan 28	Accrued interest	xd adj. ytd		Low coupon yield Jan 29	Jan 28	Yr. ago	Medium coupon yield Jan 29	Jan 28	Yr. ago	High coupon yield Jan 29	Jan 28	Yr. ago
1 Up to 5 years (20)	121.33	–0.08	121.43	2.75	0.86	5 yrs	7.18	7.10	6.87	7.23	7.15	6.91	7.27	7.20	6.98
2 5-15 years (21)	149.25	–0.48	149.97	2.35	1.09	15 yrs	7.69	7.62	7.69	7.70	7.62	7.73	7.59	7.51	7.81
3 Over 15 years (6)	168.90	–0.71	170.11	4.04	1.00	20 yrs	7.76	7.70	7.80	7.75	7.68	7.82	7.60	7.52	7.87
4 Irredeemables (6)	193.12	–0.73	194.54	2.36	1.00	Irred.†	7.84	7.78	7.87						
5 All stocks (53)	144.19	–0.38	144.74	2.85	1.00										

Index-linked							Inflation 5% Jan 29	Jan 28	Yr. ago	Inflation 10% Jan 29	Jan 28	Yr. ago
6 Up to 5 years (2)	204.87	–0.07	205.01	1.97	0.00	Up to 5 yrs	3.17	3.15	2.46	2.47	2.44	1.21
7 Over 5 years (10)	194.72	–0.28	195.27	1.21	1.09	Over 5 yrs	3.59	3.56	3.56	3.38	3.36	3.36
8 All stocks (12)	194.73	–0.26	195.24	1.26	0.97							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jan 29	Jan 28	Jan 27	Jan 24	Jan 23	Yr ago	High*	Low*
Govt. Secs. (UK)	94.26	94.70	94.53	94.82	95.17	95.31	96.34	91.59
Fixed Interest	117.09	117.74	117.70	117.93	118.00	114.07	117.82	110.74

Gilt Edged Activity Indices

	Jan 28	Jan 27	Jan 24	Jan 23	Jan 22
Gilt Edged bargains	111.2	76.7	81.1	85.6	88.8
5-day average	88.7	83.5	84.1	83.4	84.8

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 29

	Issued	Bid	Offer	Chg	Yield
[illegible]					

U.S. DOLLAR STRAIGHTS · SWISS FRANC STRAIGHTS · YEN STRAIGHTS · OTHER STRAIGHTS · DEUTSCHE MARK STRAIGHTS · FLOATING RATE NOTES · CONVERTIBLE BONDS

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Exch 10½pc 1997	10.48	6.37	100⅞	–1/32	107½	100½
Treas Cnv 7pc 1997‡‡	6.97	6.19	100¼xd	...	101 13/32	100½
[illegible]						

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

Dollar rally interrupted by D-Mark gains

MARKETS REPORT

By Graham Bowley

The dollar fell against the D-Mark on the foreign exchanges yesterday after the Bundesbank indicated that the D-Mark's correction against the dollar may now be complete.

The pound rose after the minutes of the December 11 monetary meeting between the UK Treasury and the Bank of England renewed speculation that the central bank is likely to push again for higher interest rates soon.

The dollar closed in London at DM1.6436, down almost a pfennig from the previous close. Against the yen it finished higher at Y121.905.

The pound closed at DM2.6615, from DM2.6612. Against the dollar it ended at $1.6194, up almost a cent.

■ The dollar opened strongly in Europe, reaching a high of Y122.78 after gains in Tokyo trading overnight. But it was undermined by profit-taking later in the session as the D-Mark gained ground on the European crosses.

Mr Rob Hayward, at Bank of America in London, said the German currency was helped by official comments earlier this week suggesting the German government was taking a tougher line on which countries could participate in European monetary union.

But then the D-Mark received a sharp lift upwards by comments by Mr Hans Tietmeyer, Bundesbank president.

Mr Tietmeyer said: "The normalisation of the D-Mark against the dollar will reach an end soon. The D-Mark will remain a strong currency." The dollar has risen about 10 pfennigs against the D-Mark since the start of the year.

The dollar fell against the D-Mark following the comments but it managed to stay above the key Y120 level against the yen.

However, Mr Hayward said the D-Mark still had further to fall against the dollar. "The correction is not yet over for the D-Mark. I think the Bundesbank's remarks were just an initial line of defence and it is not particularly concerned at these levels."

He said the lower yields in Europe and Japan would continue to prompt capital flows into US assets as investors sought higher returns. This would continue to support the dollar, he said.

However, Mr Avinash Persaud, at JP Morgan in London, said the D-Mark was likely to begin to receive some support from a more bearish German attitude towards Emu.

"The market is becoming more uncertain about Emu," he said. "I think we are about to go through a period of negative official comments about Emu from Bonn and the Bundesbank," which would diminish slightly the prospect of a broad-based Emu.

He said two thirds of the dollar's rally against the D-Mark had been fuelled by expectations of a largely broad-based Emu taking place, as well as a weak European economy.

"You can't explain the dollar rally purely on interest rate differentials. What are changing now are Emu expectations," he said.

■ The latest currency moves come ahead of the Group of Seven summit in Berlin at the end of next week, which is likely to provide official indication of how policy-makers judge currencies' present positions.

"They are likely to emphasise the need for currency stability from now on rather than the need for any correction from present levels," said Mr Hayward.

Mr Persaud said currency markets were "skittish" at present since they were uncertain where central banks wanted currencies to be. "The absence of goal posts seems to have added a fair amount of confusion to the markets," he said.

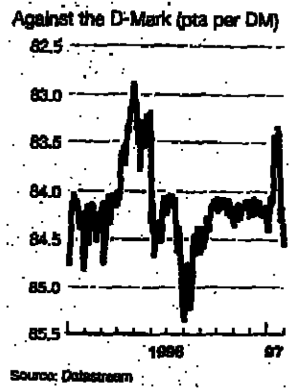
■ The pound made clear strides higher yesterday for the first time since last week's sharp tumbles brought it close to threatening the $1.60 level.

The minutes published yesterday reminded traders that the Bank of England is likely to push again for higher interest rates at the monetary meeting early next month.

But Mr Persaud said that "sentiment remains poor for the pound". He said there was still a "residue of a rate rise priced into the market" which would be "slowly squeezed out, pushing the pound back towards $1.60, if not through it".

Peseta

Against the D-Mark (pta per DM)



Source: Datastream

■ Pound in New York

Jan 29	Latest	Prev. close
£ spot	1.6220	1.6185
1 mth	1.6211	1.6176
3 mth	1.6192	1.6158
1 yr	1.6102	1.6068

■ OTHER CURRENCIES

Jan 29		£	$
Czech	(Kc)	45.0313 - 45.0888	27.8160 - 27.8360
Hungary		275.278 - 275.593	170.040 - 170.140
Iran		4859.40 - 4856.70	3000.00 - 3000.00
Kuwait		0.4889 - 0.4895	0.3020 - 0.3022
Poland		4.8591 - 4.8643	3.0015 - 3.0030
Russia		9119.26 - 9127.57	5633.00 - 5635.00
U.A.E.		5.9454 - 5.9495	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.7278	+0.0245	169 - 387	18.7750	18.6786	18.6843	2.8	18.6278	2.1	-	-	104.0
Belgium	(BFr)	54.8312	-0.0135	079 - 545	55.1580	54.7780	54.7082	2.7	54.4412	2.8	53.2462	2.9	104.2
Denmark	(DKr)	10.1574	+0.0144	521 - 626	10.1837	10.1327	10.1375	2.4	10.0969	2.4	9.918	2.4	106.3
Finland	(FM)	7.9324	+0.0554	261 - 386	7.9780	7.8710	-	-	-	-	-	-	83.9
France	(FFr)	8.9784	+0.0107	750 - 818	9.0057	8.9618	8.9577	2.8	8.916	2.8	8.7113	3.0	107.1
Germany	(DM)	2.6615	+0.0032	600 - 630	2.6710	2.6553	2.655	2.9	2.6417	3.0	2.5769	3.2	106.0
Greece	(Dr)	417.906	+1.343	644 - 168	419.340	413.746	-	-	-	-	-	-	66.7
Ireland	(I£)	1.0137	+0.0003	131 - 143	1.0157	1.0115	1.0134	0.4	1.0124	0.5	1.0059	0.8	102.7
Italy	(L)	2616.73	+13.6	490 - 857	2628.15	2606.88	2619.98	-1.5	2622.33	-0.9	2610.48	0.2	77.4
Luxembourg	(LFr)	54.8312	-0.0135	079 - 545	55.1580	54.7780	54.7082	2.7	54.4412	2.8	53.2462	2.9	104.2
Netherlands	(Fl)	2.9896	+0.0024	882 - 910	2.9980	2.9830	2.9818	3.1	2.9663	3.1	2.8928	3.2	104.1
Norway	(NKr)	10.6108	+0.0724	062 - 154	10.6622	10.5147	10.5983	1.4	10.5783	1.2	10.4733	1.3	103.5
Portugal	(Es)	266.748	+0.357	584 - 911	267.688	265.733	266.943	-0.9	267.313	-0.8	-	-	95.3
Spain	(Pta)	225.009	+0.816	865 - 152	225.857	224.455	225.009	0.0	224.789	0.4	222.394	1.2	78.4
Sweden	(SKr)	11.8021	+0.0456	927 - 114	11.8563	11.7554	11.7831	1.9	11.7386	2.2	11.5291	2.3	88.2
Switzerland	(SFr)	2.3055	+0.004	040 - 069	2.3136	2.2945	2.2974	4.2	2.2822	4.0	2.2107	4.1	103.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	95.6
Ecu	-	1.3733	+0.0023	725 - 741	1.3770	1.3690	1.3714	1.7	1.3669	1.8	1.3455	2.0	-
SDR†	-	1.157400	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6192	+0.0094	187 - 196	1.6278	1.6103	-	-	-	-	-	-	-
Brazil	(R$)	1.6924	+0.0106	918 - 929	1.7014	1.6827	-	-	-	-	-	-	-
Canada	(C$)	2.1749	+0.0188	739 - 759	2.1872	2.1586	2.1698	2.8	2.1589	2.9	2.0999	3.4	86.8
Mexico	(New Peso)	12.6949	+0.1103	873 - 025	12.7417	12.5996	-	-	-	-	-	-	-
USA	($)	1.6194	+0.0094	189 - 198	1.6280	1.6105	1.6185	0.7	1.6168	0.7	1.6082	0.7	102.1
Pacific/Middle East/Africa													
Australia	(A$)	2.1017	+0.0076	997 - 036	2.1133	2.0962	2.103	-0.7	2.1037	-0.4	2.1033	-0.1	95.4
Hong Kong	(HK$)	12.5378	+0.0728	335 - 421	12.6048	12.4690	12.5305	0.7	12.5167	0.7	12.452	0.7	-
India	(Rs)	58.0699	+0.3313	457 - 941	58.3150	57.6870	-	-	-	-	-	-	-
Israel	(Shk)	5.3596	+0.022	522 - 669	5.3835	5.3420	-	-	-	-	-	-	-
Japan	(Y)	197.407	+2.355	312 - 502	198.170	195.370	196.477	5.7	194.622	5.6	186.207	5.7	122.7
Malaysia	(M$)	4.0419	+0.0273	400 - 438	4.0627	4.0182	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3465	+0.0096	486 - 503	2.3594	2.3374	2.3552	-3.4	2.3647	-2.8	2.3855	-1.6	113.7
Philippines	(Peso)	42.6537	+0.2463	933 - 141	42.7141	42.5933	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0732	+0.0351	712 - 751	6.1053	6.0426	-	-	-	-	-	-	-
Singapore	(S$)	2.2781	+0.0079	767 - 795	2.2906	2.2665	-	-	-	-	-	-	-
South Africa	(R)	7.3883	+0.0298	838 - 928	7.4237	7.3514	-	-	-	-	-	-	-
South Korea	(Won)	1391.83	+9.56	128 - 238	1396.01	1384.87	-	-	-	-	-	-	-
Taiwan	(T$)	44.4431	+0.2486	902 - 959	47.4959	44.2300	-	-	-	-	-	-	-
Thailand	(Bt)	41.9201	+0.2774	971 - 431	42.1160	41.6780	-	-	-	-	-	-	-

† Rates for Jan 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.5650	-0.052	615 - 685	11.6400	11.5050	11.5503	1.5	11.505	2.1	11.31	2.2	103.7
Belgium	(BFr)	33.8600	-0.205	550 - 650	34.1230	33.7120	33.8	2.1	33.6725	2.2	33.1325	2.1	104.0
Denmark	(DKr)	6.2725	-0.0275	710 - 740	6.3112	6.2395	6.2636	1.7	6.2452	1.7	6.1635	1.7	105.6
Finland	(FM)	4.8985	+0.006	960 - 010	4.9285	4.8725	4.8897	2.2	4.871	2.2	4.7685	2.2	83.8
France	(FFr)	5.5445	-0.0255	439 - 450	5.5820	5.5184	5.5362	1.8	5.5182	1.9	5.4425	1.8	106.4
Germany	(DM)	1.6436	-0.0075	431 - 440	1.6555	1.6343	1.6407	2.1	1.6347	2.2	1.6099	2.0	105.3
Greece	(Dr)	258.070	-0.685	980 - 160	259.790	256.270	259.625	-7.2	262.195	-6.4	273.22	-5.9	66.5
Ireland	(I£)	1.5975	+0.0087	970 - 980	1.6060	1.5895	1.597	0.3	1.5967	0.2	1.5938	0.2	-
Italy	(L)	1615.92	-0.83	523 - 660	1628.75	1611.10	1618.65	-2.0	1621.82	-1.5	1622.7	-0.4	77.4
Luxembourg	(LFr)	33.8600	-0.205	550 - 650	34.1230	33.7120	33.8	2.1	33.6725	2.2	33.1325	2.1	104.0
Netherlands	(Fl)	1.8462	-0.0082	458 - 465	1.8590	1.8355	1.8424	2.5	1.8344	2.6	1.7989	2.6	103.7
Norway	(NKr)	6.5525	+0.0069	515 - 535	6.6020	6.5087	6.5488	0.7	6.5431	0.6	6.5175	0.5	103.3
Portugal	(Es)	164.725	-0.735	670 - 780	165.790	163.970	164.93	-1.5	165.225	-1.2	166	-0.8	95.6
Spain	(Pta)	138.950	-0.3	900 - 000	139.920	138.430	139.048	-0.8	139.059	-0.3	138.28	0.5	78.3
Sweden	(SKr)	7.2882	-0.014	844 - 919	7.3462	7.2687	7.2854	0.5	7.2755	0.7	7.2282	0.8	85.9
Switzerland	(SFr)	1.4237	-0.0058	232 - 242	1.4340	1.4150	1.4199	3.2	1.4121	3.3	1.3792	3.1	102.6
UK	(£)	1.6194	+0.0094	189 - 198	1.6280	1.6105	1.6185	0.7	1.6166	0.7	1.6082	0.7	95.4
Ecu	-	1.1792	+0.0048	788 - 795	1.1846	1.1714	1.1805	-1.4	1.1837	-1.5	1.2003	-1.8	-
SDR†	-	0.71853	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0451	+0.0005	450 - 451	1.0454	1.0450	-	-	-	-	-	-	-
Canada	(C$)	1.3431	+0.0039	428 - 433	1.3440	1.3393	1.3407	2.1	1.3357	2.2	1.3082	2.6	86.8
Mexico	(New Peso)	7.8395	+0.023	370 - 420	7.8450	7.8350	7.9575	-18.1	8.224	-19.6	9.0845	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.7
Pacific/Middle East/Africa													
Australia	(A$)	1.2979	-0.0027	970 - 987	1.3016	1.2970	1.2994	-1.4	1.3013	-1.0	1.3068	-0.7	96.9
Hong Kong	(HK$)	7.7425	+0.0003	420 - 430	7.7430	7.7325	7.7424	0.0	7.7429	0.0	7.754	-0.1	-
India	(Rs)	35.8600	-0.0025	550 - 650	35.8700	35.8190	36.075	-7.2	36.535	-7.5	-	-	-
Israel	(Shk)	3.3097	-0.0056	061 - 133	3.3185	3.3061	-	-	-	-	-	-	-
Japan	(Y)	121.905	+0.755	880 - 930	122.780	120.910	121.43	4.7	120.425	4.9	116.225	4.7	124.2
Malaysia	(M$)	2.4960	+0.0025	955 - 965	2.4990	2.4930	2.4989	-1.4	2.5042	-1.3	2.5255	-1.2	-
New Zealand	(NZ$)	1.4502	-0.0025	495 - 510	1.4514	1.4493	1.4557	-4.6	1.46	-2.7	1.4915	-2.8	-
Philippines	(Peso)	26.3400	-	100 - 700	26.3700	26.3100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.7508	-0.1	3.7511	-0.1	3.753	-0.1	-
Singapore	(S$)	1.4068	-0.0033	063 - 073	1.4097	1.4060	1.4046	1.8	1.4001	1.9	1.3788	2.0	-
South Africa	(R)	4.5625	-0.008	610 - 640	4.5765	4.5575	4.6032	-10.7	4.6782	-10.1	4.993	-9.4	-
South Korea	(Won)	859.500	+0.95	400 - 600	860.200	859.400	-	-	-	-	-	-	-
Taiwan	(T$)	27.4450	-0.005	200 - 700	29.4700	27.4200	27.4451	0.0	27.4453	0.0	-	-	-
Thailand	(Bt)	25.8870	+0.022	800 - 940	25.9150	25.8400	25.977	-4.2	26.1445	-4.0	26.782	-3.5	-

† SDR rate per $ for Jan 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 28: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

January 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3⅜	3½	8.00	2.50	-
France	3⅜	3⅜	3⅜	3⅜	3⅝	3.15	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3¼	4.50	2.50	3.00
Ireland	5⅝	5¾	5⅞	5⅞	6	-	-	6.25
Italy	7¼	7½	7⅜	7	6⅝	9.00	7.50	7.35
Netherlands	2⅞	2⅞	2⅞	3⅛	3⅛	-	3.00	3.30
Switzerland	1¼	1⅝	1⅝	1⅝	1⅞	-	1.00	-
US	5½	5⅝	5⅜	5⅞	5⅞	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅜	5⅞	5⅞	-	-	-
US Dollar CDs	-	5.17	5.20	5.29	5.52	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4	4	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¼ - 2¾	3⅜ - 3⅛	3⅛ - 3	3⅛ - 3	3⅜ - 3¼	3⅛ - 3⅜
Danish Krone	3⅞ - 3¼	3⅞ - 3½	3⅜ - 3¼	3⅝ - 3½	3⅞ - 3½	3¾ - 3⅝
D-Mark	3¼ - 3⅛	3⅜ - 3¼	3¼ - 2⅞	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 2⅞
Dutch Guilder	2⅞ - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞	3 - 2⅞	3⅛ - 2⅞	3⅜ - 3⅛
French Franc	3⅞ - 3⅜	3⅜ - 3¼	3⅞ - 3⅜	3⅞ - 3⅜	3⅞ - 3⅜	3⅞ - 3¼
Portuguese Esc.	6¼ - 6⅛	6¼ - 6⅛	6⅜ - 6⅛	5⅞ - 5¾	5⅞ - 5½	5½ - 5⅞
Spanish Peseta	6⅞ - 6⅞	6⅞ - 6⅞	6⅜ - 6⅛	5⅞ - 5⅞	5¾ - 5⅞	5⅞ - 5⅞
Sterling	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛	6¼ - 6⅛	6⅞ - 6⅞	6¾ - 6⅞
Swiss Franc	1⅞ - 1⅛	2 - 1⅞	1⅞ - 1⅛	1⅞ - 1⅛	1⅞ - 1⅞	1⅞ - 1⅞
Can. Dollar	3⅛ - 2⅞	3 - 2⅞	3⅛ - 2⅞	3⅛ - 3⅛	3⅜ - 3⅜	3⅞ - 3⅞
US Dollar	5⅜ - 5¼	5⅜ - 5⅜	5⅜ - 5¼	5½ - 5⅜	5⅝ - 5½	5⅞ - 5⅞
Italian Lira	8 - 7	7⅜ - 7⅛	7⅜ - 7⅛	7⅜ - 7¼	7⅛ - 6⅞	6⅞ - 6⅞
Yen	½ - ⅜	½ - ⅜	½ - ⅜	½ - ½	⅝ - ½	⅞ - ⅝
Asian $Sing	1⅞ - 1⅝	1⅞ - 1⅜	2¾ - 2⅝	2⅞ - 2⅞	3 - 2⅞	3¼ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.72	96.70	-0.03	96.73	96.68	19,737	73,639
Jun	96.74	96.74	-0.02	96.75	96.71	13,768	48,912
Sep	96.70	96.70	-0.02	96.71	96.68	5,073	35,016

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.85	96.87	-0.01	96.88	96.85	21337	204461
Jun	96.84	96.85	-	96.87	96.83	20901	181057
Sep	96.75	96.77	-	96.78	96.73	28043	149690
Dec	96.57	96.59	-0.01	96.60	96.55	24481	154174

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Feb	96.87	96.86	-0.01	96.87	96.87	50	12697
Mar	96.87	96.86	-0.01	96.87	96.86	1250	14123
Apr		96.89	-0.01			0	767
May		96.89	-0.01			0	3812

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.22	93.15	-0.09	93.22	93.06	35617	95799
Jun	93.75	93.68	-0.11	93.75	93.61	29188	68190
Sep	94.11	94.01	-0.11	94.11	93.93	12980	42396
Dec	94.25	94.19	-0.10	94.25	94.10	7352	30005

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.16	98.20	+0.01	98.20	98.16	3870	36872
Jun	98.12	98.14	+0.01	98.15	98.10	3875	20813
Sep	97.98	98.02	+0.02	98.03	97.97	938	10626
Dec	97.78	97.81	+0.01	97.80	97.78	256	5832

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.45	-0.01			0	n/a
Jun	99.42	99.42	-0.01	99.42	99.42	386	n/a
Sep		99.32	-0.01			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.99	95.98	-0.03	95.99	95.97	1266	9652
Jun	96.03	96.02	-0.03	96.03	96.00	1052	6350
Sep	96.01	96.01	-0.03	96.02	95.99	450	4100
Dec	95.93	95.93	-0.03	95.94	95.91	468	4684

* LIFFE futures also traded on APT.

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9300	0.26	0.76	1.12	0.11	0.08	0.11
9325	0.13	0.56	0.92	0.23	0.13	0.16
9350	0.05	0.39	0.73	0.40	0.21	0.22

Est. vol. total, Calls 9767 Puts 7413. Previous day's open int., Calls 103422 Puts 89963

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.53	16.37	4.855	1.849	4771	5.451	19.35	486.4	410.4	21.52	4.204	1.824	3.967	2.953	360.0	2.504
Denmark	(DKr)	53.97	10	8.837	2.620	0.998	2575	2.942	10.44	262.5	221.5	11.61	2.269	0.984	2.141	1.594	194.3	1.351
France	(FFr)	61.07	11.32	10	2.965	1.129	2914	3.329	11.82	297.1	250.6	13.14	2.567	1.114	2.423	1.803	219.9	1.529
Germany	(DM)	20.60	3.817	3.373	1	0.381	982.7	1.123	3.986	100.2	84.52	4.433	0.866	0.376	0.817	0.608	74.15	0.516
Ireland	(I£)	54.07	10.02	8.854	2.625	1	2580	2.948	10.46	263.0	221.9	11.64	2.273	0.986	2.145	1.597	194.7	1.354
Italy	(L)	2.096	0.388	0.343	0.102	0.039	100.	0.114	0.406	10.19	8.601	0.451	0.088	0.038	0.083	0.062	7.546	0.052
Netherlands	(Fl)	18.34	3.399	3.004	0.891	0.339	875.2	1	3.550	89.23	75.28	3.948	0.771	0.335	0.728	0.542	66.04	0.459
Norway	(NKr)	51.68	9.576	8.462	2.509	0.956	2466	2.817	10	251.4	212.1	11.12	2.172	0.943	2.050	1.526	186.1	1.294
Portugal	(Es)	20.56	3.810	3.366	0.998	0.380	980.9	1.121	3.978	100.	84.38	4.424	0.864	0.375	0.816	0.607	74.02	0.515
Spain	(Pta)	24.37	4.516	3.990	1.183	0.451	1163	1.328	4.716	118.5	100.	5.244	1.024	0.444	0.967	0.720	87.73	0.610
Sweden	(SKr)	46.47	8.610	7.608	2.256	0.859	2217	2.533	8.992	226.0	190.7	10	1.953	0.847	1.843	1.372	167.3	1.164
Switzerland	(SFr)	23.79	4.408	3.895	1.155	0.440	1135	1.297	4.603	115.7	97.61	5.119	1	0.434	0.944	0.702	85.64	0.596
UK	(£)	54.83	10.16	8.978	2.662	1.014	2616	2.989	10.61	266.7	225.0	11.80	2.305	1	2.175	1.619	197.4	1.373
Canada	(C$)	25.21	4.671	4.128	1.224	0.466	1203	1.374	4.878	122.6	103.4	5.425	1.060	0.460	1	0.744	90.76	0.631
US	($)	33.87	6.275	5.545	1.644	0.626	1616	1.846	6.553	164.7	139.0	7.288	1.424	0.618	1.343	1	121.9	0.848
Japan	(Y)	27.78	5.147	4.548	1.349	0.514	1325	1.514	5.375	135.1	114.0	5.978	1.168	0.507	1.102	0.820	100.	0.696
Ecu		39.93	7.400	6.539	1.939	0.739	1905	2.177	7.728	194.2	163.9	8.594	1.679	0.728	1.584	1.179	143.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6094	0.6134	+0.0047	0.6135	0.6058	28,856	85,778
Jun	0.6110	0.6171	+0.0046	0.6171	0.6115	242	5,122
Sep	0.6150	0.6145	-	-	-	30	2,256

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7025	0.7107	+0.0078	0.7107	0.7008	19,336	49,236
Jun	0.7112	0.7155	+0.0058	0.7156	0.7142	79	2,552
Sep	-	0.7176	-	0.7226	-	108	1,917

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8311	0.8287	-0.0020	0.8287	0.8250	29,179	72,238
Jun	0.8365	0.8385	-0.0031	0.8385	0.8363	696	2,997
Sep	0.8485	0.8485	-0.0043	0.8485	0.8485	14	476

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6200	1.6270	+0.0106	1.6270	1.6172	15,254	33,326
Jun	1.6130	1.6150	+0.0014	1.6150	1.6130	43	2,369
Sep	-	1.6120	-	1.6220	-	2	1,038

UK INTEREST RATES

LONDON MONEY RATES

Jan 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	10 - 5⅝	6⅛ - 5⅞	6⅜ - 6	6⅜ - 6⅛	6⅞ - 6⅝	6⅞ - 6⅞
Sterling CDs	-	-	6⅜ - 6⅜	6⅜ - 6⅛	6⅜ - 6¼	6⅞ - 6⅞
Treasury Bills	-	-	5⅞ - 5⅞	6⅛ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	6⅛ - 5⅞	6⅜ - 6⅜	-
Local authority deps.	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6	6⅜ - 6¼	6⅝ - 6⅞	6⅞ - 6¾
Discount Market deps	8 - 5¾	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jan 24, 5.9134pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 31, 1996. Agreed rate for period Jan 26, 1997 to Feb 25, 1997, Scheme III 7.86pc. Reference rate for period Nov 30, 1996 to Dec 31, 1996, Schemes IV & V 6.419pc. Finance House Base Rate 6½pc from Jan 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.65	93.63	-0.02	93.68	93.63	14576	99635
Jun	93.39	93.38	-0.02	93.43	93.34	25245	101874
Sep	93.16	93.15	-0.03	93.21	93.13	15082	66182
Dec	92.97	92.94	-0.05	93.01	92.93	9714	50274
Mar	92.86	92.80	-0.05	92.87	92.79	3755	37122

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9350	0.17	0.12	0.12	0.04	0.24	0.47
9375	0.03	0.04	0.06	0.15	0.41	0.66
9400	0	0.01	0.02	0.37	0.63	0.87

Est. vol. total, Calls 10135 Puts 2880. Previous day's open int., Calls 198654 Puts 139780

EMS EUROPEAN CURRENCY UNIT RATES

Jan 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.796709	0.742426	-0.000611	-7.05	9.45	47
Portugal	197.398	195.185	-0.037	-1.12	2.89	8
Finland	5.85424	5.80689	+0.03885	-0.81	2.57	5
Spain	163.826	164.746	+0.439	0.56	1.17	-4
Italy	1906.48	1918.31	+14.17	0.62	1.11	-4
Netherlands	2.16979	2.18709	-0.00245	0.80	0.93	-6
Belgium	39.7191	40.1545	-0.0346	1.10	0.63	-8
Germany	1.92573	1.94723	-0.00189	1.12	0.61	-11
Austria	13.5485	13.7012	-0.0107	1.13	0.60	-8
Denmark	7.34555	7.43066	-0.00266	1.16	0.57	-8
France	6.45863	6.57063	-0.00282	1.73	0.00	-15
NON ERM MEMBERS						
Greece	295.269	306.005	+0.557	3.64	-1.84	-
UK	0.793103	0.732614	-0.000825	-7.63	10.13	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
1.600	2.53	2.99	3.45	0.68	1.41	1.96
1.610	1.74	2.45	2.89	1.04	1.83	2.39
1.620	1.21	1.95	2.45	1.52	2.33	2.85

Previous day's vol., Calls 4,951 Puts 390. Prev. day's open int., Calls 30,471 Puts 49,814

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
0.605	0.67	1.01	1.28	0.52	0.76	0.92
0.610	0.43	0.76	1.03	0.79	1.02	1.17
0.615	0.28	0.57	0.81	1.12	1.32	1.46

Previous day's vol., Calls 1,088 Puts 2,559. Prev. day's open int., Calls 36,713 Puts 21,411

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.39	94.39	-	94.41	94.36	84,132	396,983
Jun	94.21	94.22	+0.02	94.23	94.17	155,679	394,734
Sep	94.01	94.02	+0.02	94.04	93.96	135,867	292,740

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.92	94.92	-	94.93	94.91	784	4,625
Jun	-	94.80	-	94.78	94.75	44	3,229
Sep	-	94.56	+0.01	94.56	-	19	727

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
9675	0.13	0.14	0.14	0.16	0.01	0.02	0.04	0.06
9700	0.01	0.02	0.03	0.05	0.14	0.15	0.18	0.20
9725	0	0	0	0.01	0.38	0.38	0.40	0.41

Est. vol. total, Calls 7874 Puts 8522. Previous day's open int., Calls 451015 Puts 278517

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9825	0.10	0.18	0.22	0.15	0.29	0.45
9850	0.03	0.10	0.12	0.33	0.48	0.60

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 8575 Puts 2835

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

COMMODITIES AND AGRICULTURE

Vietnam law on mining disappoints

By Jeremy Grant in Hanoi

The long-awaited push into Vietnam by foreign mining companies is unlikely to materialise soon because there are too few incentives in the country's new mining law, industry officials said yesterday.

The law, which took seven years to finalise, sets a legal framework for foreign mining investment in Vietnam, whose northern regions are believed to be rich in copper, lead, zinc and gold.

Although it was issued in November, foreign investors have spent the past six weeks having it translated and digesting its implications. Most are small, pioneering Australian "juniors" attracted to Vietnam when it started opening up its economy in the early 1990s.

Topping the list of their concerns is Hanoi's refusal to grant investment licences simultaneously with permits to conduct exploration. That wipes out much of the security that foreign companies normally seek before committing to prospecting.

"There will be no serious investment here unless you get the protection of the investment licence. It's a big problem," one official said.

The law also talks of a "special right" to apply for a mining licence once exploration has established a viable find. Many companies say this provision fails to create enough comfort to proceed past prospecting with confidence. "It's causing a lot of wariness," said Mr Bill Magennis, a lawyer with Australian firm Philips Fox.

Companies hopeful of developing gold interests are also disappointed with a provision that limits the size of an exploration licence to 50 square kilometres. Most countries in the region offer at least 500 sq km. Nor are the terms much better for base metals, where the maximum is 100 sq km, with no certainty that land allocated does not overlap other companies' sites.

"Prospecting permits can be much bigger but we're all apprehensive about them because they're not exclusive," said Mr David Seymour, president of Canadian explorer Canexco.

Analysts say clarity of land title is needed and urge the establishment of a central land registry. That is likely to take time in the communist-ruled country, where land ownership is complicated by the military. It is a powerful force in the mining industry and owns swathes of land not usually marked as such on maps.

The law also allows the government "from time to time" to ban certain minerals from being exported, a move intended to encourage onshore minerals processing.

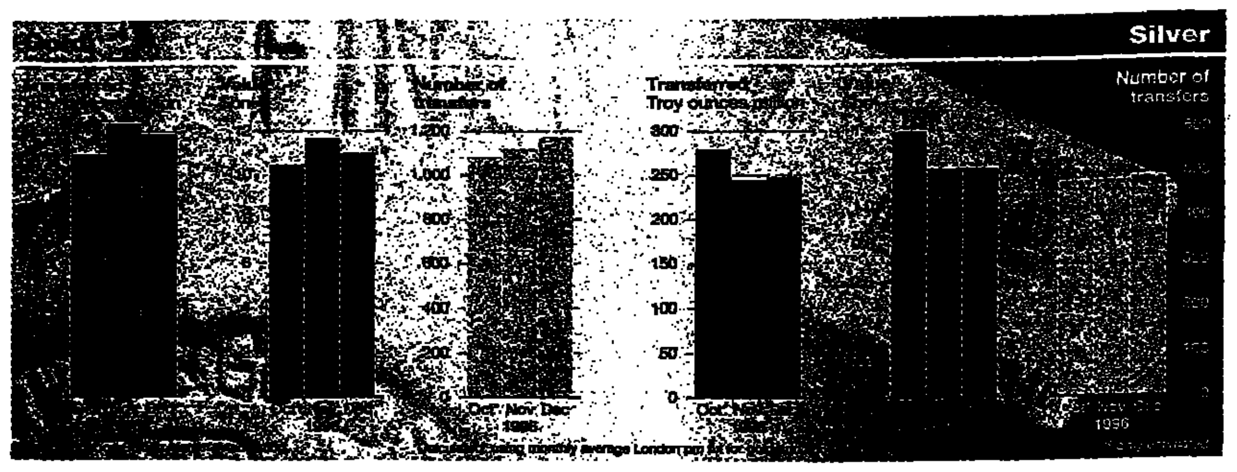
"There are still some holes left and it revolves around ministerial discretion," said Mr Rupert Crowe, managing director of Golden Tiger Resources, a Vancouver and Sydney-listed company with a manganese interest north of Hanoi.

Another significant worry is a provision that gives Vietnam's state-owned mining companies "favourable conditions" to take a "leading role" in the mining industry. Many foreign companies suspect that this means they could be forced into joint ventures with such companies on less than favourable terms.

"It depends on whether you're concerned about a rule of law or not. Some brave people are going to have to be caught up in the experiment," said one Australian mining analyst.

Gold association lifts veil on volume

Many people will be *startled to discover* that the global bullion market is very big indeed. About 30m troy ounces of gold, worth roughly $10bn, is cleared every working day. We know this because for the first time yesterday the London Bullion Market Association yesterday lifted the veil to quantify the volume of bullion business cleared in London, the international settlement centre for gold deals.



The association intends to publish once a month details of the average daily volume of international business cleared in London. But even some of its own members, drawn from 64 companies from 13 countries, wondered whether it would serve any useful purpose. One went so far as to describe it as a *"futile exercise"*.

The big problem is that the statistics certainly underestimate the volume of business. They reflect transfers between the association's eight clearing members and many of these transfers are the result of the netting of multiple debit and credit transactions.

"If I have one client wanting to buy 10 tonnes of gold and another who wants to sell 10 tonnes, I match those deals. Although 10 tonnes of gold changes hands I report *nil tonnes to the transfer statistics*," one dealer said.

The association admitted: "It is not possible to gross the figures up for such transfers and to this extent the figures are an underestimate, possibly sizeable, of *the actual volume of bullion* business."

Mr Jeffrey Rhodes of Standard Bank London suggested that the LBMA statistics should be multiplied by at least three, and possibly by five, to give a full picture of the size of the global gold market, as reflected by business in London.

Nevertheless, Mr Rhodes insisted that the London bullion association's figures would "become the key indicator in the world of gold, providing the numbers by *which the market can be* monitored".

The association insisted that it was providing the statistics because of the demands for more transparency in international markets but members made it *quite clear the underlying* reason was that they hoped the move would bring in more business.

They complained that too often in the past they had been asked about the size of the global gold market and were unable to answer.

Now, in the words of Mr Martin Stokes, vice-chairman of the association: "This shows we have a serious market with a lot of depth and deserving of more attention."

The statistics showed, for example, that *the 300 tonnes of gold* sold recently by the Dutch central bank – a disposal that badly affected market sentiment – was not a large amount by the market's standards.

"Potential investors will *not be able to dismiss this as* a *Mickey Mouse* market," he said.

On this question of size, Mr Alan Baker, chairman of the association, pointed out that a Bank of England survey of the London foreign exchange market showed average daily turnover was $464bn, some 40 times larger than the daily gold clearing turnover.

However, the level of bullion turnover was very comparable with turnover in some individual currency pairs on the London *foreign* exchange market.

The flip side of all this, however, is the concern among some dealers that providing any statistics at all will drive away business and they will lose those clients *who value secrecy* above all else.

Mr Baker would have none of this. He said the association had often been criticised for being secretive and for not giving information and data when there were calls for more transparency.

"With this in mind we have considered ways in which to enhance transparency in the market while in no way compromising integrity." This, he admitted, had been "something of a delicate balancing act".

Kenneth Gooding

Kennecott smelter to shut for six weeks

By Kenneth Gooding, Mining Correspondent

RTZ-CRA's new US copper smelter-refinery complex is still plagued by problems a year after it was scheduled to be at full capacity.

The Anglo-Australian group said the complex, run by its US subsidiary Kennecott in Utah, would shut down for six weeks for changes to be made.

RTZ-CRA admitted last year that delays had increased the cost of the complex by 14 per cent from $880m to $1bn. Mr Bob Cooper, Kennecott president, said then that first-half 1996 earnings would have nearly tripled from $59m to $159m if the complex had been working properly.

Most of the smelter's operations are going well except for the anode plant, supplied by Sumitomo of Japan, where molten metal is cooled and formed into slabs. RTZ-CRA said yesterday it was considering replacing the casting wheel in the plant or installing an additional unit.

This would be done in the *first half of this year* when the components were available and the entire complex would be shut for six weeks. Refractory and cooling blocks would be replaced in the flash smelting furnace at the same time.

RTZ-CRA said the flash smelting furnace had proved it could work at above-capacity rates and in December operated at 89 per cent of design capacity. However, the flash converting furnace achieved only 51 per cent, mainly because of bottlenecks in the anode plant.

The delay is galling for Kennecott because the new smelter and nearby modernised refinery are set to cut smelting costs by 47 per cent and refinery costs by 55 per cent.

Reports of Iraq power struggle lift oil

MARKETS REPORT

By Robert Corzine

The Iraqi factor returned to the world oil markets yesterday with a report from Washington of a growing power struggle within the family of President Saddam Hussein. A White House briefing suggesting the wife of the Iraqi leader had been placed under house arrest helped to reverse the general downward drift of oil prices over the past few weeks.

The price of Brent Blend for March delivery, the North Sea crude that serves as a global benchmark, was up 45 cents in late London trading to $22.70 a barrel. Earlier this week it had fallen to a four-month low of $22 a barrel.

A White House spokesman said the US was "closely monitoring" the situation inside Iraq, which returned to world oil markets last month for the first time since its invasion of Kuwait in 1990. The country is exporting about 500,000 barrels a day under the United Nations oil-for-food plan.

Crude oil and refined product prices were also supported by continuing evidence in the US of unusually low inventories.

Weekly statistics from the American Petroleum Institute showed that crude oil stocks last week were 17.7m barrels lower than a year earlier, while gasoline supplies were 11m barrels under last year's level. The figures also showed a steady drawdown of middle distillate stocks, including fuel oil, in the north-eastern region of the US.

Forecasts of colder weather in both the US and Europe also helped to underpin product prices yesterday. At midday Nymex February heating oil futures were up 1.72 cents to 68.55 cents a gallon.

Tom Manning, vice-president of oil industry consultants Porvin and Gertz in Houston, said the market was likely to remain tight while the cold weather in the US continued.

Current high crude prices were deterring US refiners from rebuilding stocks, which he said had reached "absolutely minimal levels" in many cases.

"Fundamentally we have a very snug supply/demand balance" that is unlikely to change until the market enters a period in which crude oil supplies outpace demand.

Many analysts believe that could coincide with the onset of the northern hemisphere spring.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1580.5-81.5	1606-07
Previous	1604-05	1629-30
High/low	1587	1630/1598
AM Official	1587-88	1614-15
Kerb close		1612.5-13
Open int.	247,841	
Total daily turnover	62,463	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1480-90	1495-500
Previous	1520-25	1535-40
High/low	1510	1520/1480
AM Official	1509-10	1520-25
Kerb close		1513-15
Open int.	4,979	
Total daily turnover	1,386	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	654-5	667-8
Previous	665.5-7.5	676-8
High/low	658	674/662
AM Official	657-8	670-1
Kerb close		669-70
Open int.	34,922	
Total daily turnover	18,821	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7050-55	7154-55
Previous	7155-65	7260-65
High/low		7230/7110
AM Official	7059-60	7151-52
Kerb close		7160-70
Open int.	49,499	
Total daily turnover	16,885	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5740-45	5800-05
Previous	5815-20	5875-76
High/low		5875/5800
AM Official	5765-70	5825-27
Kerb close		5800-05
Open int.	15,529	
Total daily turnover	4,534	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1098.5-99.5	1121.5-22
Previous	1108-09	1129.5-30.0
High/low	1100.5	1131/1118
AM Official	1099-99.5	1123-24
Kerb close		1124-25
Open int.	90,786	
Total daily turnover	18,821	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2455-60	2191-92
Previous	2573-78	2241-42
High/low	2525	2245/2178
AM Official	2528-30	2234-35
Kerb close		2183-84
Open int.	151,618	
Total daily turnover	69,362	

■ LME AM Official £/$ rate: 1.6207
LME Closing £/$ rate: 1.6195

Spot: 1.6212 3 mths: 1.6186 6 mths: 1.6162 9 mths: 1.6134

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	108.40	-2.70	111.10	108.00	717	1,996
Feb	103.70	-3.95	107.65	103.20	195	2,994
Mar	102.50	-3.65	106.10	101.70	5,157	25,264
Apr	101.10	-3.15	102.20	100.80	61	1,274
May	100.00	-2.90	101.60	99.00	695	6,480
Jun	99.45	-2.80	100.50	100.50	9	769
Total					7,586	86,345

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	350.50-350.90		
Opening	352.00-352.40		
Morning fix	350.15	216.91	499.84
Afternoon fix	351.10	216.13	497.97
Day's High	352.00-352.40		
Day's Low	350.10-350.50		
Previous close	353.00-353.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.73 6 months 3.96
2 months ....3.78 12 months 3.97
3 months 3.82

Silver Fix	p/troy oz.	US cts equiv.
Spot	303.80	491.75
3 months	307.90	497.60
6 months	312.20	503.60
1 year	320.90	515.85

Gold Coins	$ price	£ equiv.
Krugerrand	366-369	226-228
Maple Leaf	-	-
New Sovereign	83-86	51-53

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	351.8	-2.1	-	-	-	-
Feb	351.8	-2.2	354.2	351.0	35,703	37,358
Apr	353.2	-2.5	356.2	352.7	21,695	64,309
Jun	355.4	-2.6	356.8	355.0	2,043	22,599
Aug	357.8	-2.6	358.3	358.0	157	8,385
Oct	360.2	-2.7	361.5	360.5	29	3,779
Total					60,762	188,160

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	358.8	-1.7	361.0	358.0	2,596	20,149
Jul	361.1	-1.7	362.5	360.5	11	3,224
Oct	363.4	-1.7	364.0	364.0	50	2,265
Jan	365.8	-1.7	-	-	3	1,080
Total					2,670	26,727

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	124.60	-0.15	124.75	123.50	201	6,054
Jun	125.90	-0.15	125.50	125.50	2	1,864
Sep	127.05	-0.15	-	-	-	360
Dec	128.05	-0.15	-	-	-	18
Total					203	8,296

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	492.0	-2.3	-	-	47	1
Feb	492.0	-2.4	-	-	5	2
Mar	494.0	-2.3	496.5	489.5	19,486	57,600
May	498.6	-2.3	501.5	494.0	1,644	11,506
Jul	503.2	-2.3	506.0	499.0	318	6,887
Sep	507.9	-2.3	510.0	504.5	606	2,976
Total					23,129	89,571

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	24.42	+0.52	24.55	23.82	23,532	80,451
Apr	23.88	+0.46	23.99	23.36	8,438	37,649
May	23.40	+0.44	23.47	22.98	2,173	22,884
Jun	22.91	+0.38	23.00	22.69	3,698	32,036
Jul	22.52	+0.35	22.52	22.25	853	15,514
Aug	22.15	+0.30	22.20	21.90	254	14,432
Total					na	na

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	22.70	+0.45	22.80	22.32	17,162	59,917
Apr	22.22	+0.49	22.31	21.87	6,133	32,132
May	21.85	+0.48	21.85	21.50	2,735	16,571
Jun	21.35	+0.32	21.48	21.15	1,744	17,381
Jul	21.06	+0.35	21.10	20.84	835	11,545
Aug	20.78	+0.38	20.78	20.75	20	3,177
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	68.30	+1.47	68.50	66.90	16,805	25,589
Mar	66.80	+1.19	66.90	65.65	9,576	29,698
Apr	63.95	+0.79	64.05	63.50	1,971	13,372
May	61.35	+0.64	61.50	61.05	391	5,719
Jun	59.75	+0.69	59.80	59.50	472	5,851
Jul	59.05	+0.69	59.05	59.00	301	3,462
Total					na	na

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	204.50	+4.00	204.50	200.50	7,651	23,398
Mar	199.50	+3.00	199.75	196.50	4,898	16,129
Apr	193.50	+2.00	193.75	191.25	2,225	7,770
May	188.75	+1.75	189.25	187.75	502	3,546
Jun	186.25	+1.25	186.50	185.00	1,311	7,383
Jul	186.00	+1.25	186.00	184.25	581	2,678
Total					15,435	68,036

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.490	-0.056	2.546	2.460	11,823	29,251
Apr	2.200	-0.057	2.245	2.180	2,682	16,079
May	2.090	-0.032	2.115	2.075	1,545	12,337
Jun	2.075	-0.025	2.100	2.065	1,183	8,660
Jul	2.085	-0.015	2.090	2.075	1,257	8,837
Aug	2.095	-0.017	2.100	2.085	975	7,673
Total					na	na

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	67.95	+0.91	68.25	66.90	11,147	16,390
Mar	68.25	+1.00	68.45	67.25	8,618	25,590
Apr	69.90	+1.05	70.05	68.85	1,585	11,503
May	69.45	+1.07	69.60	68.70	889	8,286
Jun	68.15	+1.02	68.25	67.70	257	5,520
Jul	66.00	+0.62	66.00	65.70	73	2,906
Total					na	na

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	93.75	+0.95	93.90	92.80	93	1,726
May	95.90	+0.90	96.00	95.05	133	2,965
Jul	97.80	+0.80	98.00	97.00	83	465
Sep	91.75	+0.75	-	-	-	17
Nov	93.75	+0.75	93.75	93.50	34	1,198
Jan	95.75	+0.75	-	-	-	68
Total					343	6,438

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	370.25	-2.75	375.50	370.00	5,646	26,823
May	357.00	-2.00	361.00	356.50	1,598	10,367
Jul	346.75	-0.50	349.00	345.50	3,105	24,380
Sep	349.00	-1.00	350.50	348.00	65	1,553
Dec	359.00	-	361.00	359.00	35	1,358
Jul	344.00	-	344.00	344.00	18	138
Total					10,449	64,630

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	275.00	+0.25	277.00	274.00	39,095	120,694
May	273.25	+1.00	275.50	271.50	11,010	68,609
Jul	271.25	+0.75	273.50	270.00	8,906	63,990
Sep	266.25	-0.50	267.50	266.00	1,931	8,998
Dec	267.25	-1.00	268.75	267.00	3,213	44,241
Mar	272.75	-0.75	274.00	272.75	273	2,874
Total					64,502	312,157

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	93.30	+0.80	93.00	93.00	6	336
May	93.80	+0.80	-	-	-	179
Sep	91.00	+0.50	-	-	-	28
Nov	93.00	+0.50	-	-	-	271
Jan	95.00	+0.50	-	-	-	2
Total					6	816

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	750.00	+5.50	753.50	742.25	29,353	75,743
May	749.25	+3.25	752.50	743.00	10,388	37,610
Jul	749.50	+2.75	752.50	745.00	4,858	33,222
Aug	744.00	+1.50	748.00	741.50	436	5,009
Sep	714.50	+1.75	717.00	713.00	297	1,505
Nov	691.25	+1.50	694.00	689.00	1,929	15,262
Total					47,310	168,958

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	24.11	-0.05	24.20	24.01	5,740	46,293
May	24.49	-0.05	24.59	24.40	2,346	19,559
Jul	24.88	-0.02	24.92	24.77	1,056	15,194
Aug	25.00	-0.02	25.05	24.92	541	3,114
Sep	25.11	-	25.19	25.03	418	2,491
Oct	25.26	-0.04	-	-	37	747
Total					10,644	91,882

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	240.4	+3.5	241.1	236.0	6,526	38,213
May	235.8	+2.7	236.5	232.6	2,058	21,336
Jul	234.3	+2.2	234.9	231.9	1,351	18,972
Aug	231.0	+1.5	231.7	229.0	220	3,229
Sep	226.0	+1.8	226.0	224.0	211	2,565
Oct	215.6	+2.6	216.5	214.0	24	1,055
Total					10,709	87,958

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	51.0	-	-	-	-	-
Apr	53.5	-2.0	55.0	53.0	63	1,141
May	59.5	-0.5	60.0	59.5	5	102
Jun	72.0	-0.5	-	-	-	-
Nov	63.0	-0.5	-	-	-	2
Apr	114.0	-	-	-	-	570
Total					68	1,815

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1375	-	1375	1375	2	840
Feb	1325	+17	1325	1320	17	421
Mar	1381	+14	1381	1359	24	552
Apr	1439	+21	1445	1410	58	1,045
Jul	1230	+23	1230	1214	15	538
Oct	1360	+5	1360	1360	5	150
Total					121	3,596

	Close	Prev
BFI	1370	1362

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	887	-7	896	885	2,227	33,476
May	907	-7	918	906	1,246	24,158
Jul	927	-6	938	927	84	11,229
Sep	947	-6	955	947	115	12,792
Dec	959	-6	968	959	596	10,647
Mar	975	-5	978	976	148	17,784
Total					4,461	125,795

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1308	-8	1314	1303	2,858	22,699
May	1334	-14	1343	1333	1,269	23,078
Jul	1363	-10	1370	1359	286	13,367
Sep	1387	-11	1394	1385	186	9,055
Dec	1411	-12	1415	1407	611	3,559
Mar	1434	-9	1438	1438	145	12,579
Total					5,365	89,821

■ COCOA (ICCO) (SDR's/tonne)

Jan 28	Price	Prev. day
Daily	1006.60	1009.54

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1595	+55	1650	1590	239	942
Mar	1570	+91	1594	1500	4,113	19,092
May	1561	+91	1585	1485	3,429	19,636
Jul	1553	+84	1575	1505	1,758	5,673
Sep	1543	+84	1565	1500	228	2,141
Nov	1533	+84	1555	1504	127	1,129
Total					9,931	48,757

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	144.60	+5.10	147.80	142.85	4,904	23,312
May	138.90	+4.30	141.50	138.00	2,830	9,849
Jul	135.30	+4.10	137.20	134.50	681	4,554
Sep	131.00	+4.50	132.50	130.00	340	2,771
Dec	126.00	+4.45	127.55	125.00	310	1,853
Mar	122.00	+4.50	123.50	121.00	10	494
Total					9,075	42,957

■ COFFEE (ICO) (US cents/pound)

Jan 28		Prev. day
Comp. daily	107.59	106.50
15 day average	100.40	99.40

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	298.3	+0.5	298.9	297.0	2,039	11,706
May	297.6	-0.1	298.5	296.1	1,293	8,334
Aug	298.2	-0.5	299.4	297.0	257	3,048
Oct	294.6	-1.1	296.3	295.1	189	2,109
Dec	296.5	-0.7	-	-	-	829
Mar	298.5	-0.5	-	-	-	400
Total					3,782	26,356

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.33	-0.08	10.46	10.23	7,873	64,737
May	10.38	-0.05	10.47	10.30	3,237	36,835
Jul	10.34	-0.07	10.42	10.30	895	27,141
Oct	10.37	-0.07	10.44	10.35	656	17,474
Mar	10.40	-0.07	10.47	10.40	167	6,509
May	10.44	-0.07	10.47	10.47	7	1,079
Total					12,828	154,168

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	75.35	+0.24	75.40	74.70	3,774	20,964
May	76.72	+0.27	76.78	76.05	1,592	18,396
Jul	77.70	+0.22	77.75	77.05	425	8,260
Oct	77.68	+0.03	77.55	77.45	21	1,502
Dec	77.50	-0.05	77.59	77.30	1,827	12,045
Mar	78.45	+0.05	78.41	78.20	69	724
Total					7,717	62,285

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	88.45	-5.30	92.90	88.10	5,959	16,135
May	91.25	-4.25	95.50	91.00	1,222	6,795
Jul	94.30	-4.35	97.50	93.80	218	2,321
Sep	97.30	-3.40	100.00	97.00	26	1,814
Nov	98.35	-4.20	102.55	98.70	6	392
Jan	99.85	-4.15	103.50	100.00	32	197
Total					7,485	27,771

Nuts and Seeds Prices from Kenkko
US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): RPPC new crop prices up at 4,050 CFR; very few long type. US almonds (shelled) 23/25 SSR: rising at 6,600 FAS California Feb shipment general shortage. East European walnuts LHP mix: 4,500 easier CPT Europe. Turkish hazelnuts standard No 1: down due to high dollar, price idea between 4,600 and 4,800 CFR; US inshell at 2,200 FOB. Turkish apricots number two: up at 3,360 CFR. Indian cashews raw W-320: 5,700 CFR EMP firm; spot goods at 5,800 FCA Rotterdam. US pecans fancy junior mammoth halves: firm at 5,400 FOB, few goods available Coconut: CFR at 1,500 for top Philippine goods, stable; spot at 1,600. Pinekernels: Pakistan at 11,000 very good crop.

VOLUME DATA
Open interest and Volume data shown for *contracts traded on COMEX, NYMEX, CBT,* NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 29	Jan 28	month ago	year ago
1957.7	1960.1	-	2175.5

■ CRB Futures (Base: 1967 = 100)

Jan 28	Jan 27	month ago	year ago
242.27	243.65		

■ GSCI Spot (Base: 1970 = 100)

Jan 28	Jan 27	month ago	year ago
206.99	208.40	212.24	187.45

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	63.975	-0.600	64.375	63.675	5,780	19,605
Apr	65.900	-0.675	66.350	65.600	9,504	39,407
Jun	64.275	-0.150	64.400	64.050	3,872	13,809
Aug	64.150	-	64.250	63.900	1,687	16,000
Oct	67.475	+0.150	67.575	67.100	1,428	8,710
Dec	68.625	-0.025	68.675	68.525	1,012	3,547
Total					23,728	102,594

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	75.350	-0.825	78.025	75.150	3,041	8,707
Apr	75.525	-0.825	76.150	75.150	3,571	12,790
Jun	79.975	-0.550	80.350	79.550	1,451	7,332
Jul	78.275	-0.275	78.300	77.800	282	1,668
Aug	74.475	-0.298	74.650	74.000	444	1,283
Oct	67.725	-0.050	67.850	67.375	137	1,356
Total					8,989	34,728

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	78.400	-1.775	79.650	78.050	1,808	3,178
Mar	78.100	-1.975	79.650	78.000	771	1,589
May	78.900	-1.650	80.600	78.900	505	2,322
Jul	78.450	-1.475	79.350	77.800	95	648
Aug	74.925	-1.625	76.250	74.925	21	432
Total					3,200	8,169

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1500	113	136	6	26
1600	42	75	34	63
1700	9	36	101	122
■ COPPER (Grade A) LME	**Mar**	**Jun**	**Mar**	**Jun**
2100	129	131	17	70
2200	64	83	52	119
2300	25	49	112	183
■ COFFEE LIFFE	**Mar**	**May**	**Mar**	**May**
1500	98	141	29	80
1550	69	114	49	103
1600	49	95	79	134
■ COCOA LIFFE	**Mar**	**May**	**Mar**	**May**
875	21	46	9	14
900	10	31	23	24
925	4	22	42	40
■ BRENT CRUDE IPE	**Feb**	**Mar**	**Feb**	**Mar**
2200	-	-	-	26
2250	-	44	-	26
2300	-	23	-	57

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.63-0.69w	+0.295
Brent Blend (dated)	$22.98-3.01	+0.40
Brent Blend (Mar)	$22.64-2.66	+0.37
W.T.I.	$24.31-4.34w	+0.34

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$227-229	+3
Gas Oil	$208-210	+3
Heavy Fuel Oil	$96-98	+2
Naphtha	$224-226	+4
Jet fuel	$234-236	+2
Diesel	$221-223	+5

■ NATURAL GAS (Pence/therm)

Bacton (Feb)	17.30-17.70	-0.25

Petroleum Argus. Tel London (0171) 359 8792

■ OTHER

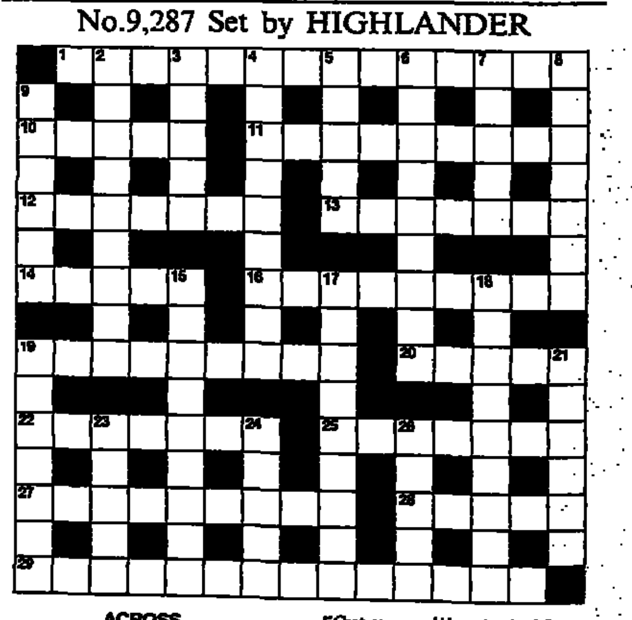
Gold (per troy oz)♣	$350.70	-2.45
Silver (per troy oz)♣	492.50c	-6.00
Platinum (per troy oz.)	$354.75	-4.50
Palladium (per troy oz.)	$121.25	-1.50
Copper	117.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.45r	-0.11
Tin (New York)	272.50	-5.00
Cattle (live weight)	101.64p	+0.37*
Sheep (live weight)	141.63p	+2.64*
Pigs (live weight)†	75.14p	-2.13*
Lon. day sugar (raw)	$256.50	-0.7
Lon. day sugar (wte)	$301.00	-0.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	78.25p	
Rubber (Mar)♥	78.25p	
Rubber (KL RSS No1)	300.5x	-0.5
Coconut Oil (Phil)§	775.0y	-10.0
Palm Oil (Malay.)§	557.5y	-5.0
Copra (Phil)§	$502.5y	
Soyabeans (US)	208.0x	
Cotton Outlook'A' Index	80.70	-0.05
Wooltops (64s Super)	408p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Jan w Mar y Feb/Mar♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on no head of pigs sold. ♦ New month of January.

JOTTER PAD

CROSSWORD

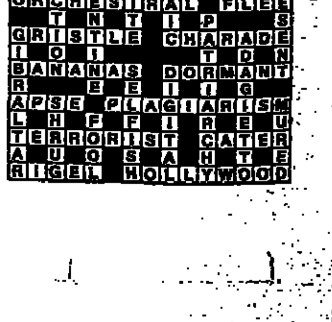
No.9,287 Set by HIGHLANDER



ACROSS
1 Props stick together, it rallies the fans (10,4)
10 How ungrammatical healer might identify himself with wine? (5)
11 Eat like a horse – girl doesn't finish celebratory drink (9)
12 Bill and Ronald back my word from first letters of other (7)
13 Withdraw from race with minor injury (7)
14 Brings in big vessels by the sound (5)
16 Completely occupies printing space with 144 + 2 points (9)
19 Hung up and sends off newspaperman (9)
20 A space in the roof above (5)
22 Arrangement of crater around one is unpredictable (7)
25 Half of warm beer, said judge (7)
27 Extended it due to change in requirement for map reference (9)
28 An opening for Stone? (5)
29 Reliable policeman saw round in bed (6-8)

DOWN
2 Ready to fight as directed by members (5,4)
3 Nut is able to put sports training first (5)
4 Put in word for newcomer on patch (9)
5 Cut up, writing tests (5)
6 Star Avon saleswoman takes us all over (9)
7 Authorised shortly to run (3,2)
8 Trees provide worker with most of box (7)
9 Spike drink (the little devil's first) (6)
15 Drink to go with pudding? (5,4)
17 Garden pot broken by someone found fire (9)
18 Brief farewell broadcast could be so described (5-4)
19 Varnish? Ring up female first (7)
21 Change gear during race for goal (6)
23 Period of preparation for course at university (3-2)
24 Vineyard starts to mislead buyers a bit (5)
26 Head beginning to organise party (5)

Solution 9,286



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
4 Rue Jean Monet, L-2180 Luxembourg 352 424949320

	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity	$54.50	56.41	—	-
North America Equity	$88.41	90.84	—	-
Asian Tigers Equity	$65.39	67.05	—	-
Europe Equity	$70.58	73.95	—	-
Germany Equity	DM	148.45	—	-
Japan Equity	$42.51	42.84	—	-
Europe Bond	$82.82	82.78	—	-
US Bond	$59.10	58.25	—	-
Global Bond	$61.70	61.85	—	-
Germany Bond B	DM	110.97	—	-
Spain Bond	Pts	10472	—	-
Eastern Europe Equity F		237.41	—	-
China Equity F	$65.74	69.58	—	-
Switzerland Equity	SFr	137.17	—	-

Abtrust Fund Mngrs Luxembourg SA (u)
4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Abtrust Atlas Fund

	Price	+ or -	Yield
Global Cap Portfolio	$3.601	-0.001	-
United States Portfolio	$5.805xd	+0.008	-
Cont'l Europe Portfolio	DM7.393	+0.040	-
Japan Portfolio	¥0.546	+0.005	-
Pacific Portfolio	$6.648	-0.049	-
Gold Portfolio	$5.048	-0.030	-
UK Growth of Income	£2.229xd	+0.009	3.61
Dollar Portfolio	$1.693xd	+0.002	7.03
Sterling Portfolio	£1.076xd	+0.001	6.30

Aetna Master Fund (u) (x)
21 avenue de la Liberté, L-1931, Lux 00 352 479 98500

Fidelity Funds - Contd.

Bond Funds

	Selling Price	+ or -	Yield
European	Ecu11.49	—	5.88
International	$1.030	-0.004	5.42
US Dollar	$8.673	+0.001	5.81
Sterling	£0.228	—	7.11

Balanced

	Selling Price	+ or -	Yield
European Balanced	DM14.11	+0.09	1.42

Prices as at January 28

Fleming Group (u)
6 Route De Treves L-2633 Senningerberg Luxembourg
00 352 34101 or 0800 960 764

Fleming Flagship Fund (daily dealing)

	Selling Price	Buying Price	+ or -	Yield
FFF American	$55.29	58.48	+0.06	-
FFF Amer Fledgling F	$64.34	68.07	-0.09	-
FFF Asian Smaller Cos F	$10.68	11.29	-0.03	-
FFF China	$15.72	16.63	-0.14	-
FFF Continental Europe F	DM41.59	43.99	+0.30	-
FFF DM Balanced F	DM11.40	12.06	—	-
FFF DM Bond	DM11.14	11.64	-0.02	-
FFF Eastern European F		30.36	-0.57	-
FFF Eastern Opps	$23.16	24.50	—	-
FFF Emerging Markets F	$10.05	10.64	-0.05	-
FFF Europe	DM41.10	43.48	+0.22	-
FFF European Smlr Cos F	DM25.33	26.79	-0.09	-
FFF Global Conv F	$17.85	18.90	+0.06	-
FFF India H	$8.22	8.75	+0.13	-
FFF Intl Bond F	$13.62	14.40	-0.06	-
FFF Intl Equity F	DM75.99	80.38	+0.22	-
FFF Japanese	$13.99	14.80	-0.04	-
FFF Japanese Smaller Cos F	$5.81	6.14	-0.09	-
FFF Latin American	$12.51	13.24	+0.09	-
FFF Pacific	$20.75	21.95	+0.10	-

LUXEMBOURG (REGULATED)(**)

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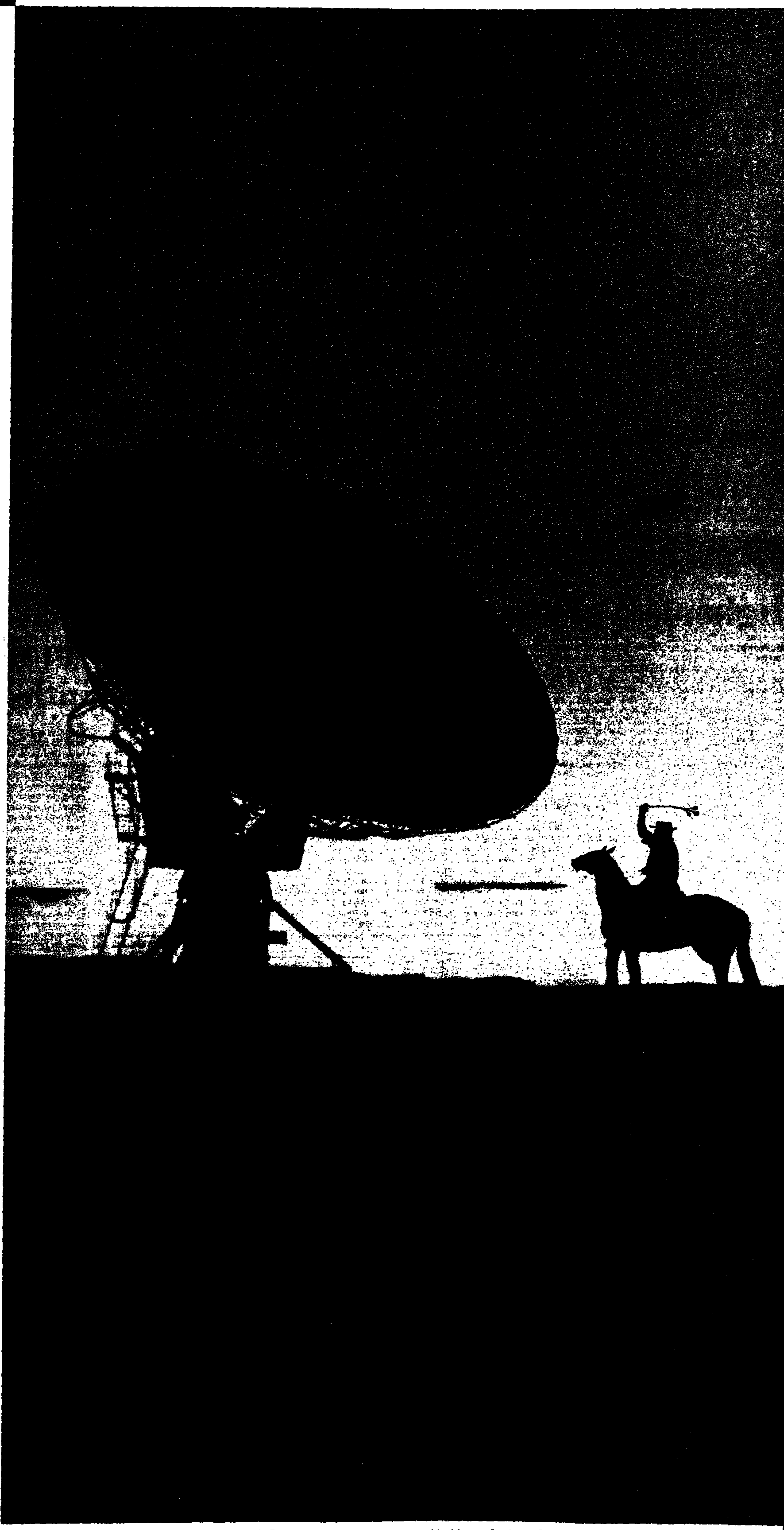

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LONDON STOCK EXCHANGE

Shares retreat amid interest rate concerns

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A sharp sell-off in gilts amid a *flurry of rumours that a snap* general election could be in the offing, plus increasing worries about interest rates, saw UK shares give back all of Tuesday's gains.

Those fears, coupled with increasing irritation across Europe at the see-saw performance of Wall Street, saw the FTSE indices retreat in disarray.

The FTSE 100 index ended a disjointed session 29.9 lower at 4,207.5, having lost the 4,200 level as markets awaited the opening of Wall Street. The 250 index, meanwhile, gave up 16.2 to 4,566.5, while the SmallCap index held up extremely well to close only 0.2 easier at 2,292.2.

Capping a difficult day in the market was a profits warning from Premier Farnell, the electronic controls group, which issued a statement only minutes before the close, prompting its shares to fall over 8 per cent.

A dealer summed up the market's unhappiness with events. "The market feels very choppy: there is uncertainty in bond markets here and in the US; everyone is getting worked up about the general election date and absolutely no one trusts Wall Street," he said.

Wall Street was the main talking point and set the tone for the day. Up almost 100 points within 30 minutes of the start of *trading on Tuesday*, the Dow Jones Industrial Average subsequently finished down 4 points and struggling.

The fifth straight decline in the US market, which has seen the Dow fall almost 200 points, prompted a general markdown of UK stocks. They fell further after the release of the minutes of the December 11 meeting between Mr *Kenneth Clarke, the chancellor*, and Mr Eddie George, governor of the Bank of England.

The minutes disclosed that the governor had pushed for an immediate increase of 25 basis points and that, in the absence of such a rise, an increase of 50 basis points would be needed in the first part of the new year.

With Footsie slipping away, there was further unease around trading desks at rumours suggesting that an election date would be announced later in the day, a story subsequently denied.

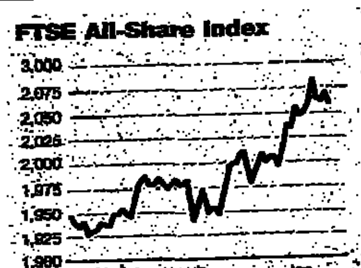
Wall Street came in firmer yesterday, putting on 40 points within an hour of the opening, after a weak US durable goods *orders figure for December*. It was still around 25 points ahead 90 minutes after London closed.

But London stubbornly refused to respond to the firmer trend in US stocks, although Footsie did edge off the day's lowest level.

There was more dismay for stockbrokers, with the latest turnover figures showing that genuine retail business on Tuesday dropped to £733.7m, the lowest since January 7. At 6pm yesterday turnover had reached 810.7m shares.

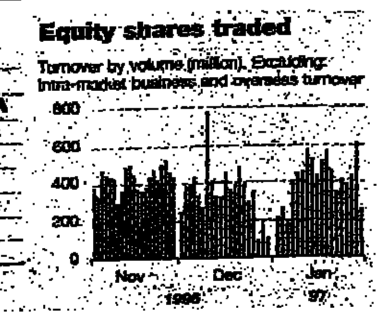
The retail sector continued to attract plenty of attention with shares in Marks & Spencer, the flagship of the department stores, *giving a disappointing response* to what many saw as respectable Christmas trading figures.

FTSE All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4207.5	−29.9
FTSE 250	4566.5	−16.2
FTSE 350	2086.0	−13.2
FTSE All-Share	2059.82	−12.07
FTSE All-Share yield	3.57	3.57
FT 30	2823.2	−21.5
FTSE Non-Fins p/e	18.63	18.74
FTSE 100 Fut Mar	4208.0	−44.0
10 yr Gilt yield	7.56	7.47
Long gilt/equity yld ratio	2.13	2.04

Best performing sectors

1. Textiles & Apparel ....+1.1
2. Oil Exploration & Prod ....+0.9
3. Chemicals ....+0.5
4. Building & Const ....+0.2
5. Leisure & Hotels ....+0.2

Worst performing sectors

1. Distributors ....−2.7
2. Gas Distribution ....−2.5
3. Engineering: *Vehicles* ....−1.8
4. Diversified Industrials ....−1.3
5. Tobacco ....−1.3

Dividend concern at Lucas

By Joel Kibazo, Peter John and Lisa Wood

The bears were once again in the driving seat at Anglo-US engineering group **LucasVarity**, which left the shares trailing 11 to 209p. The decline reversed most of Tuesday's gains and made LucasVarity the day's worst performer in the FTSE 100. Volume at the close stood at 10m.

Bargain-hunting had driven the stock sharply higher before Tuesday's conference call, which updated analysts on the group's restructuring. The company also sought to allay fears on the dividend.

However, yesterday saw the return of poor sentiment to the stock. After further reflection on the company's statement, several analysts downgraded profit expecta*tions for the year to January* 1998 by £20m to the new market consensus of around £360m.

Doubts about the dividend remain and they played a part in yesterday's retreat. One analyst also pointed out: "Even if LucasVarity decides to cut the dividend as many expect it will, it can hardly launch a share buyback with its current high level of gearing. I think the company will cut the dividend but offer a share buyback at a later stage."

Belief that a bid for a UK fund manager from the Continent is imminent remains, but the focus has shifted.

Sector specialists had been arguing that Dresdner Bank of Germany would make an offer for **M&G** and that possibility was increased late on Tuesday. According to dealers, Dresdner's UK securities arm was marking M&G shares sharply higher just before the close of trading.

But, yesterday, M&G fell back 17½ to 1315p and **Henderson Administration** received its 15 minutes of fame with a coincidental rise of 17½ to 1,387½p.

Raised valuations for fund managers also spilled over to **Pearson**, the media conglomerate which owns the Financial Times. Pearson has a holding in investment bank Lazard and there has been talk that it might dispose of its stake. Pearson lifted 8 to 761½p.

Marks & Spencer was one of the worst performers in the FTSE 100, tumbling 11 to 482p on its trading statement. The stock had risen 16 the previous day, on expecta*tions of good results in a sec*tor which has delivered mixed reports on trading over the Christmas period.

The trading statement was in line with market expectations, with sales growth of 8.1 per cent in the 17 weeks to January 25th. But the market was slightly disappointed by food sales which grew by 4.6 per cent. Analysts said they were impressed by the performance of clothing, which grew by 9.4 per cent, and the group's performance in Europe. Most estimates were left unchanged.

W H Smith rose 4½ to 434½p after interim results up from £17.3m to £38.6m and a statement that the four-year plan to revitalise the high street retailer was on schedule. Some analysts were still sceptical, however, with one stating that the case was not proven to buy for recovery.

Abbey National bounced 16 to 759½p after four brokers noted the comparative weakness in the shares and either turned buyer or stressed their positive stance.

UBS reiterated its buy stance and its price target of between 820p and 850p a share. Merrill Lynch repeated an "accumulate" rating on the shares after edging profit forecasts for the banking group up by around one per cent. And Cazenove was also said to be recommending the stock after the shares fell more than 7 per cent over the past two weeks. Finally, Panmure Gordon turned buyer on the shares.

Zeneca added 20 at 1727½p as Merrill Lynch reiterated its positive stance and £19-a-share price target at the morning meeting following Tuesday's trading update. Zeneca also agreed a three-year collaboration deal with Pharmacopeia of the US.

Wessex Water firmed a penny to 384½p as Merrill Lynch issued a buy note with a 450p price target.

Enterprise Oil gained 12½ to 654p as the exploration and production group announced a successful appraisal of an oil discovery in southern Italy.

Enterprise said production at its Cerro Falcone discovery in the south Appennine area would be put on long-term production later this year. The announcement follows news of a small discovery in the Gulf of Mexico. Other exploration stocks were also marked higher. **Monument Oil & Gas**, which announced a deal in Turkmenistan last week, rose 2½ to 86¾p with some bid premium tipping over from the hostile takeover battle between Gulf Canada and Clyde Petroleum.

And **British Borneo** lifted 8¼ to 1201p ahead of last night's gathering of the London oil analysts group.

First Leisure rose 18¼ to 359½p on the news that Mr Michael Grade, the former Channel 4 chief executive, had been appointed chairman elect of the leisure group.

Analysts were torn in their response to the appointment. One said Mr Grade was a shrewd operator and should not be underestimated. Another, noting Mr Grade's comments that he would carry on with the medium-term strategy set by the present chief executive, *questioned his value if he* was not going to make radical changes.

Conversely, Mr Paul Slattery of Dresdner Kleinwort Benson said the market believed Mr Grade would take the already highly diversified business in a new direction. But, he said, further diversification was the last thing that First Leisure needed.

Granada Group softened 11 to 873p, with the market disappointed the annual meeting statement contained no news on disposal plans for its hotels.

Bass weakened 14 to 861p with BZW moving the stock from a "buy" to a "hold" on valuation grounds.

Asda fell 1¾ to 121¾p, on trade of 16m, with one broker said to have been trying to place some 6m of the stock.

In the the engineering sector, **Smiths Industries** were in favour, with the shares adding 8 to 776¼p after SGST recommended the stock, following a meeting with the company. **TI Group** gained 9¼ to 548¼p.

Shares in electronic components group **Premier Farnell** tumbled in hectic trading just before the market close. They ended the session down 59½ at 632½p, after the company warned that profits for the year ending February 1997 would fall short of market forecasts by as much as 8 per cent. Turnover in the stock was 3.2m.

FT 30 INDEX

	Jan 29	Jan 28	Jan 27	Jan 24	Jan 23	Yr ago	*High	*Low
FT 30	2823.2	2844.7	2839.5	2843.1	2865.8	2768.4	2885.2	2668.8
Ord. div. yield	4.09	4.07	4.07	4.07	4.09	3.79	4.22	3.76
P/E ratio net	17.43	17.49	17.48	17.48	17.42	17.10	17.49	15.80
P/E ratio nil	17.26	17.32	17.31	17.31	17.25	16.87	17.32	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2837.3	2832.4	2824.9	2825.4	2826.1	2826.3	2819.5	2819.7	2822.8	2839.6	2817.7

	Jan 29	Jan 28	Jan 27	Jan 24	Jan 23	Yr ago
SEAQ bargains	16,253	42,168	43,323	48,360	46,629	33,606
Equity turnover (£m)†	-	733.7	748.3	912.3	892.2	2428.7
Equity bargains†	-	16,253	17,721	20,372	21,814	39,548
Shares traded (m)†	-	288.0	260.8	612.9	434.5	848.8

†Excluding intra-market and Crest business and overseas turnover.

	Jan 29	Jan 28	Jan 27	Jan 24	Jan 23	Yr ago	*High	*Low
FTSE AIM	1108.2	1100.7	1098.0	1095.4	1096.6	1048.9	1140.4	965.7

 *For 1996/97.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	421	Total Highs	92	Total contracts	44,694
Total Falls	813	Total Lows	37	Calls	19,504
Same	1,281			Puts	25,190

Jan 29 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4230.0	4208.0	-40.0	4232.0	4188.0	15772	61177
Jun	4227.0	4228.0	-40.0	4227.0	4220.0	180	4779
Sep		4254.5	-40.5			0	1396

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4600.0	-14.0			0	5761

FTSE 100 INDEX OPTION (LIFFE) (*4206) £10 per full index point

	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P
Feb	182½	12½	138	21½	98½	34	66½	50½	40½	76½	21	110½	9½	154	4	204
Mar	197	38½	158½	51½	124	65	92½	85	63½	108½	43½	138	27	172	15	211
Apr	212½	57	175½	70	144	88½	112½	107½	88	132½	64	158	46½	190	30	224
May	239	71½	202½	84½	168½	100½	134½	116½	108½	139½	88	163½	58½	193½	40½	227
Jun†			217½	96			154	131½			105	180			67	243½

Calls 2,807 Puts 4,013

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P
Feb	204	12½	168	18	118	25	81½	39½	52	59½	29	88½	14	121	6	162½
Mar	216	34½	176	44	139½	57½	105	72	76½	93½	54½	121	38	152½	22	188
Apr	229½	48	192	60	157	74	125	91½	97	112½	72½	137½	52	166½	36	198½
Jun	272	73½			203½	102½			144	141			96	190½		
Sept†	323½	102			255½	130½			194½	166			142½	210½		

Calls 5,922 Puts 12,875 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§166	F.P.	38.0	174½	170½	Aquarius	174½		W6.85	2.0	4.9	12.7
§	P.P.	25.9	57½	49½	BZW Endwmt Red	53¾	-2¼	-	-	-	-
100	F.P.	12.6	93½	88½	Enterprise Vn Cp	89½		-	-	-	-
	F.P.	14.2	55	55	†Epicore Nwork	55		-	-	-	-
§100	F.P.	21.3	298	209½	†GB Railways	243½	-5	-	-	-	-
§145	F.P.	12.5	175	150	†Hardy Underwrtg	170		-	-	-	-
§	F.P.	5.53	4	3¾	†John Lewis	4	+¼	-	-	-	21.4
*	F.P.	8.46	62½	45½	†Netcall	60½		-	-	-	-
	F.P.	34.7	72½	42½	†Oxford Biomedica	54½		-	-	-	-
§85	F.P.	15.9	80½	65½	Parkwood	74½		R1.82	1.3	3.1	25.0
§68.5	F.P.	13.3	70½	52½	†Pilat Tech Intl	59½	+2	b-	-	-	16.6
§60	F.P.	45.1	111½	91	Sheffield United	91	-2½	-	-	-	-
§585	F.P.	60.3	757½	652½	Sunderland	740	+2½	R4.8	7.0	0.8	17.7
*	F.P.	13.3	135	125	†Sutton Harbour	133½xd		Z1.2	1.8	1.1	18.6

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 28	% chg on day	Jan 27	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1748.00	+0.6	1737.97	2306.97	1.89	-	2520.73	1674.61
Regional Indices								
Africa (14)	2048.42	+4.1	1967.22	3222.22	4.29	42.47	3553.86	1918.45
Australasia (7)	1991.28	+1.0	1970.94	2674.68	2.54	21.60	2927.34	1970.94
North America (12)	1635.87	−0.9	1650.23	1990.81	0.80	60.83	2186.39	1550.58

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

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	Jan 29	Day's chge%	Jan 28	Jan 27	Jan 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4207.5	−0.7	4237.4	4212.0	4218.8	3759.3	3.68	2.07	16.39	4.31	1762.04
FTSE 250	4566.5	−0.4	4582.7	4593.1	4598.0	4125.0	3.41	1.50	24.41	4.94	1873.78
FTSE 250 ex IT	4612.1	−0.4	4629.1	4644.0	4647.8	4129.1	3.50	1.52	23.46	4.89	1897.03
FTSE 350	2086.0	−0.6	2099.2	2090.3	2093.4	1868.0	3.63	1.96	17.60	2.16	1784.80
FTSE 350 Higher Yield	1998.1	−0.7	2011.9	2007.1	2014.8	1871.1	4.73	1.84	14.33	2.56	1442.75
FTSE 350 Lower Yield	2181.6	−0.6	2194.3	2180.8	2179.0	1869.6	2.51	2.18	22.85	1.72	1533.76
FTSE SmallCap	2292.17	......	2292.36	2291.89	2292.42	2018.51	2.96	1.65	25.65	2.75	1917.43
FTSE SmallCap ex IT	2302.80	......	2301.78	2304.01	2303.53	1990.49	3.12	1.72	23.27	2.86	1940.51
FTSE All-Share	2059.82	−0.6	2071.89	2063.71	2066.62	1841.96	3.57	1.94	18.05	2.16	1789.17

FTSE Actuaries Industry Sectors

	Jan 29	Day's chge%	Jan 28	Jan 27	Jan 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	4082.60	−0.8	4114.59	4074.10	4074.57	3218.51	3.49	1.72	20.86	0.00	1789.50
12 Extractive Industries(5)	3937.01	−1.0	3978.71	3959.34	3956.46	4165.21	4.11	2.67	11.40	0.00	1173.42
15 Oil, Integrated(3)	4218.81	−0.9	4258.93	4213.01	4218.78	3286.18	3.66	1.55	22.03	0.00	1900.11
16 Oil Exploration & Prod(13)	3541.46	+0.9	3510.98	3482.65	3451.26	2088.57	1.47	1.90	44.93	0.00	2147.10
20 GEN INDUSTRIALS(273)	2026.24	−0.4	2034.68	2032.31	2034.10	2035.85	3.80	1.87	17.61	1.34	1134.47
21 Building & Construction(35)	1332.24	+0.2	1329.86	1328.26	1308.17	1067.66	3.08	1.61	25.19	0.44	1137.99
22 Building Matls & Merchs(31)	1880.32	−0.5	1889.11	1876.37	1883.00	1873.67	4.15	1.39	21.73	0.44	971.99
23 Chemicals(26)	2341.81	+0.5	2329.34	2335.34	2321.80	2446.77	4.41	1.44	19.66	0.56	1137.06
24 Diversified Industrials(17)	1493.26	−1.3	1513.34	1516.56	1522.56	1824.84	4.32	2.59	11.18	4.02	866.06
25 Electronic & Elect Equip(39)	2328.72	−0.5	2340.15	2344.92	2359.86	2271.38	3.36	1.32	28.19	0.18	1235.86
26 Engineering(71)	2608.09	......	2608.85	2611.60	2608.43	2259.83	3.14	2.34	17.05	1.25	1614.57
27 Engineering, Vehicles(13)	2934.31	−1.8	2986.68	2930.15	2965.08	2639.94	3.67	1.71	19.89	0.00	1549.83
28 Paper, Pckg & Printing(27)	2505.02	−0.6	2521.30	2515.91	2514.41	2651.39	4.15	1.79	16.81	0.00	1068.54
29 Textiles & Apparel(14)	1094.01	+1.1	1082.60	1076.48	1080.57	1498.07	6.42	1.28	15.23	0.00	692.21
30 CONSUMER GOODS(86)	3824.55	−0.6	3846.69	3833.11	3825.08	3716.90	3.79	1.85	17.83	7.99	1449.38
32 Alcoholic Beverages(7)	2658.44	−0.6	2673.73	2671.38	2676.34	2808.47	4.86	1.87	13.76	30.14	994.63
33 Food Producers(25)	2653.25	−0.5	2665.71	2647.94	2646.40	2634.39	4.13	1.76	17.24	5.00	1230.19
34 Household Goods(17)	2646.21	−0.5	2659.33	2653.49	2642.45	2641.59	3.80	2.23	14.76	1.06	1068.42
36 Health Care(17)	2090.37	−0.3	2096.27	2100.05	2101.80	1910.86	2.82	1.94	22.88	3.40	1293.52
37 Pharmaceuticals(18)	5944.84	−0.5	5973.00	5977.85	5923.09	5338.90	2.85	1.73	25.38	0.00	2054.20
38 Tobacco(2)	4091.50	−1.3	4144.39	4047.73	4136.91	4951.23	6.34	2.13	9.27	0.00	1053.63
40 SERVICES(273)	2638.22	−0.4	2647.62	2631.22	2638.20	2307.16	2.85	2.01	21.89	4.48	1401.46
41 Distributors(30)	2885.92	−2.7	2965.66	2979.22	2982.10	2624.59	2.94	2.01	21.15	0.00	1084.97
42 Leisure & Hotels(31)	3398.53	+0.2	3393.26	3364.64	3347.47	2794.80	2.56	2.05	23.73	18.16	1859.07
43 Media(44)	4276.51	+0.1	4272.02	4247.76	4256.84	3713.46	2.16	2.13	27.15	3.38	1567.73
44 Retailers, Food(15)	2055.19	−0.1	2056.61	2033.05	2073.44	1995.87	3.85	2.31	14.06	0.07	1338.22
45 Retailers, General(53)	2041.07	−0.5	2051.81	2027.94	2035.45	1935.86	3.19	2.02	19.38	3.17	1194.14
47 Breweries, Pubs & Rest.(22)	3361.12	−0.8	3388.40	3376.87	3384.76	2947.19	3.23	2.10	18.45	13.49	1656.26
48 Support Services(56)	2878.66	−0.8	2900.44	2887.96	2873.65	1946.71	1.74	2.44	29.36	0.37	1858.60
49 Transport(22)	2749.27	−0.2	2754.18	2758.79	2759.11	2330.08	3.50	1.23	29.13	6.35	1177.82
60 UTILITIES(30)	2640.68	−1.0	2667.73	2669.74	2678.84	2412.40	5.09	1.70	14.46	3.13	1199.12
62 Electricity(10)	2890.55	−0.6	2906.95	2918.68	2959.78	2703.55	6.00	2.15	9.71	13.53	1591.92
64 Gas Distribution(1)	1466.95	−2.5	1503.96	1517.42	1503.96	1590.46	8.31	0.54	27.92	0.00	802.68
66 Telecommunications(8)	2214.16	−1.1	2239.49	2231.77	2234.93	1971.10	3.77	1.54	21.56	0.00	1045.27
68 Water(11)	2442.30	−0.4	2452.54	2463.99	2463.54	2075.75	6.10	2.32	8.84	0.00	1412.55
69 NON-FINANCIALS(683)	2119.46	−0.6	2131.36	2122.62	2124.84	1943.20	3.63	1.85	18.63	2.70	1654.21
70 FINANCIALS(107)	3727.73	−0.7	3754.49	3743.77	3753.24	2952.78	3.57	2.38	14.68	0.63	1645.68
71 Banks, Retail(8)	5441.38	−0.7	5482.12	5444.19	5445.89	4223.01	3.35	2.74	13.63	0.00	1821.40
73 Insurance(19)	1660.96	−1.2	1681.84	1690.85	1712.04	1426.16	5.03	2.30	10.82	0.86	1287.79
74 Life Assurance(7)	4338.65	−0.5	4362.39	4354.97	4347.97	3476.18	3.58	1.78	19.56	0.00	1844.64
77 Other Financial(29)	3059.16	−0.2	3066.52	3057.32	3063.14	2441.63	3.31	2.04	18.48	0.22	1788.39
79 Property(44)	1806.60	−0.5	1815.39	1838.82	1857.57	1452.68	3.53	1.32	26.79	2.05	1143.12
80 INVESTMENT TRUSTS(127)	3246.95	−0.4	3258.75	3236.52	3248.35	3145.95	2.19	1.13	50.56	3.64	1151.42
89 FTSE All-Share(917)	2059.82	−0.6	2071.89	2063.71	2066.62	1841.96	3.57	1.94	18.05	2.16	1789.17
FTSE Fledgling	1287.79	−0.1	1288.44	1288.13	1288.63	1139.35	3.00	0.44	80.00†	1.88	1372.17
FTSE Fledgling ex IT	1308.00	......	1308.54	1309.28	1309.39	1135.16	3.29	0.35	80.00†	1.95	1395.92

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4228.5	4220.0	4205.1	4208.4	4209.6	4209.5	4199.3	4201.8	4206.2	4230.2	4197.2
FTSE 250	4581.6	4580.7	4576.6	4574.8	4575.0	4575.2	4573.0	4572.2	4568.2	4581.9	4568.5
FTSE 350	2095.7	2092.2	2086.0	2087.1	2087.6	2087.6	2083.4	2084.3	2085.6	2096.3	2082.6

Time of FTSE 100 Day's high: 8:38 AM Day's low: 1.47 PM. FTSE 100 1996/97 High: 4271.5 (23/01/97) Low: 3632.3 (16/07/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1287.9	1287.9	1287.2	1286.2	1285.9	1286.4	1286.4	1286.5	1286.3	1286.3	1288.0	−1.7
Pharmaceuticls	5867.1	5846.2	5827.3	5832.5	5841.6	5845.6	5837.9	5843.4	5850.0	5868.8	5897.1	−28.3
Water	2446.3	2453.6	2455.1	2453.9	2451.2	2450.3	2446.8	2446.8	2440.7	2434.2	2444.7	−10.5
Banks, Retail	5552.1	5538.5	5503.4	5511.1	5514.5	5514.7	5493.1	5502.1	5510.2	5510.8	5552.1	−41.3

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Deletion: Chester Water (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,400	515	-7
ASDA Group†	16,900	121¾	-1¾
Abbey National†	5,100	759½	+16
Albert Fisher	1,800	42	+¼
Allied Domecq†	5,700	430	+5
Anglian Water	261	614	+2½
Argos†	1,000	638	+½

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 29 / Sch)

BELGIUM/LUXEMBOURG (Jan 29 / Frs.)

CZECH REP (Jan 29 / Koruna)

DENMARK (Jan 29 / Kr)

FINLAND (Jan 29 / Mka)

FRANCE (Jan 29 / Frs.)

GERMANY (Jan 29 / Dm.)

GREECE (Jan 29 / Drachma)

ITALY (Jan 29 / Lira)

NETHERLANDS (Jan 29 / Fls.)

NORWAY (Jan 29 / Kroner)

POLAND (Jan 29 / Zloty)

PORTUGAL (Jan 29 / Escudo)

SPAIN (Jan 29 / Pta.)

SWEDEN (Jan 29 / Kronor)

SWITZERLAND (Jan 29 / Frs.)

TURKEY (Jan 29 / TK Lira)

PACIFIC

JAPAN (Jan 29 / Yen)

AUSTRALIA (Jan 29 / Aust$)

HONG KONG (Jan 29 / H.K.$)

INDONESIA (Jan 29 / Rupiah)

MALAYSIA (Jan 29 / MYR)

NEW ZEALAND (Jan 29 / NZ $)

SINGAPORE (Jan 29 / S$)

SOUTH KOREA (Jan 29 / Won)

TAIWAN (Jan 29 / TW $)

THAILAND (Jan 29 / Baht)

AFRICA

SOUTH AFRICA (Jan 29 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 29 / Can $) 4 pm close

MONTREAL (Jan 29 / Can $) 4 pm close

INDICES

	Jan 29	Jan 28	Jan 27	1996/97 High		1996/97 Low	
Argentina							
General(29/12/77)	(u) 19143.54	18896.56	19971.60	15/1/97		15297.20	22/8/96
Australia							
All Ordinaries(1/1/80)	2414.2	2404.2	(c)	2444.28	20/1/97	2086.10	17/7/96
All Mining(1/1/80)	947.6	946.0	(c)	1118.40	8/5/96	903.80	13/12/96
Austria							
Credit Aktien(30/12/84)	394.32	394.68	395.95	396.37	23/1/97	349.19	6/9/96
Traded Index(2/1/91)	1172.87	1172.94	1175.21	1186.85	23/1/97	976.27	2/1/96
Belgium							
BEL20(1/1/91)	2031.67	2050.44	2043.99	2075.86	23/1/97	1574.99	2/1/96
Brazil							
Bovespa(29/12/83)	(u)	78498.0	77591.0	79049.00	21/1/97	43901.00	2/1/96
Canada							
Metals Minls(1975)	(u)	5386.19	5431.81	5924.99	8/5/96	4067.47	18/1/96
Composite(1975)	(u)	6046.70	6040.80	6139.80	17/1/97	4739.70	15/1/96
PortfolioSS(4/1/83)	(u)	2974.32	2977.94	3049.11	17/1/97	2327.30	12/1/96
Chile							
IGPA Gen(31/12/80)	(u)	5157.90	5130.28	5904.33	8/1/96	4906.17	18/12/96
Denmark							
CopenhagenSE(3/1/83)	503.41	505.24	503.87	507.99	16/1/97	368.40	2/1/96
Finland							
HEX General(28/12/90)	2697.03	2735.90	2707.23	2785.95	23/1/97	1851.67	10/1/96
France							
SBF 250(31/12/90)	1667.85	1676.99	1652.22	1676.99	28/1/97	1250.16	2/1/96
CAC 40(31/12/87)	2465.01	2482.76	2435.17	2482.76	28/1/97	1897.85	11/1/96
Germany							
FAZ Aktien(31/12/58)	1041.77	1037.75	1038.43	1049.85	22/1/97	818.56	2/1/96
Commerzbank(1/12/53)	3014.9	3006.3	3008.20	3042.90	22/1/97	2370.10	2/1/96
DAX(30/12/87)	2989.20	2969.33	2984.53	3033.49	23/1/97	2284.86	2/1/96
Greece							
Athens SE(31/12/80)	1156.02	1149.20	1125.13	1156.02	29/1/97	872.99	7/6/96
Hong Kong							
Hang Seng(31/7/64)	13285.43	13403.29	13294.90	13868.29	20/1/97	10204.90	2/1/96
India							
BSE Sens.(1979)	3525.97	3604.20	3562.74	4069.28	18/6/96	2745.06	4/12/96
Indonesia							
Jakarta Comp.(10/8/82)	691.33	689.97	684.98	691.33	29/1/97	512.48	2/1/96
Ireland							
ISEQ Overall(4/1/88)	2854.86	2840.83	2826.40	2878.75	22/1/97	2234.61	2/1/96
Italy							
Banca Comm Ital(1972)	770.82	774.72	779.90	780.45	23/1/97	572.23	27/3/96
MIB General(2/1/97)	1157.0	1162.0	1170.0	1186.00	23/1/97	991.00	2/1/97
Japan							
Nikkei 225(16/5/49)	18335.30	17796.57	17334.90	22666.80	26/6/96	17303.78	10/1/97
Nikkei 300(1/10/82)	259.79	255.06	251.04	319.79	26/6/96	251.04	27/1/97
Topix(4/1/68)	1366.44	1345.88	1326.60	1722.13	26/6/96	1326.60	27/1/97
2nd Section(4/1/68)	1721.55	1719.12	1726.30	2251.48	2/7/96	1719.12	28/1/97
Malaysia							
KLSE Comp.(4/4/86)	1212.55	1228.89	1239.35	1244.13	24/1/97	993.18	2/1/96
Mexico							
IPC(Nov 1978)	(u)	3578.76	3605.17	3739.59	20/1/97	2736.38	8/3/96
Netherland							
CBS TtlRtnGen(End 83)	779.8	791.2	789.5	793.50	23/1/97	539.50	2/1/96
CBS All Shr(End 83)	457.7	464.4	462.6	465.70	23/1/97	326.70	2/1/96
New Zealand							
Cap. 40(1/7/86)	2392.80	2378.47	2383.25	2440.21	20/1/97	2025.14	7/6/96
Norway							
Oslo SE(Ind)(2/1/83)	1814.70	1821.46	1807.35	1822.22	23/1/97	1259.88	30/1/96
Philippines							
Manila Comp(2/1/85)	3373.61	3341.99	3323.10	3374.40	5/7/96	2578.97	2/1/96
Portugal							
BVL 30(4/1/93)	2439.15	2445.70	2442.43	2445.70	28/1/97	1602.81	2/1/96
Singapore							
SES All-S'pore(2/4/75)	547.48	546.98	546.81	610.37	5/3/96	503.78	21/10/96
South Africa							
JSE Gold(28/9/78)	1385.3	1429.1	1375.3	2030.40	29/5/96	1346.40	2/1/96
JSE Ind(28/9/78)	8011.0	8089.0	8043.9	8739.30	25/1/96	7688.50	17/12/96
South Korea							
KoreaCompEx(4/1/80)	663.56	652.85	654.70	986.84	7/5/96	611.05	7/1/97
Spain							
Madrid SE(30/12/85)	461.00	468.47	458.20	479.58	21/1/97	323.76	11/1/96
Sweden							
AffarsvardnGen(1/2/37)	2529.6	2585.0	2536.7	2587.49	23/1/97	1706.60	22/1/96
Switzerland							
Swiss Bk Ind(31/12/58)	2019.82	2029.61	2001.82	2029.61	28/1/97	1516.19	17/1/96
SBC General(1/4/87)	1402.97	1407.35	1390.61	1407.35	28/1/97	1114.47	26/1/96
Taiwan							
Weighted Pr.(30/6/66)	7149.54	7146.21	7158.96	7280.77	22/1/97	4690.22	6/2/96
Thailand							
Bangkok SET(30/4/75)	814.39	842.63	840.42	1415.04	6/2/96	787.47	3/1/97
Turkey							
IMKB Nat 100(1986)	1587.0	1551.0	1700.0	1700.00	27/1/97	388.00	2/1/96
WORLD							
MS Capital Int$(1/1/70)	814.8*	812.4	812.8	837.28	25/11/96	726.90	15/1/96
CROSS-BORDER							
Eurotrack 100(26/10/90)	2033.21	2042.46	2037.64	2062.99	23/1/97	1504.40	11/1/96
Euro Top-100(26/6/90)	1715.58	1734.01	1720.97	1743.86	23/1/97	1333.01	11/1/96
HSBC JC Drgn(31/12/89)	(u)	419.93	419.32	420.46	20/1/97	344.19	2/1/96
ING Bergs Emrg(7/1/92)	169.27	169.35	170.04	170.98	20/1/97	147.35	2/1/96

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Jan	2467.0	2465.0	-19.5	2471.0	2448.0	27,217	19,493
Feb	2471.5	2470.0	-20.0	2474.5	2452.0	10,611	14,992
DAX							
Mar	3027.0	3006.5	-36.5	3028.0	2989.0	29,747	-
Jun	3038.5	3020.0	-35.0	3038.5	3004.0	601	-
OMX							
Feb	1999.00	1975.00	-36.50	2000.00	1975.00	4,429	26,458
Mar	1991.00	1991.00	+1.75	1991.00	1991.00	10	2,167
SOFFEX							
Feb	4175.0	4174.0	-9.0	4178.0	4145.1	6,419	22,302
Mar	4169.0	4178.0	+21.5	4171.0	4163.5	32	782

Sat. Jan 25: Taiwan Weighted Price 7212.28; Korea Comp Ex 665.11. Base values of all indices are 100 except Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & [illegible] IMKB Nat 100 - 1; NYSE All Common - 50; Standard & Poor's [illegible] † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. [illegible] ♦ The DJ Ind. index theoretical day's highs and lows are [illegible] stock; whereas the actual day's highs and lows represent [illegible]

US INDICES

Dow Jones	Jan 28	Jan 27	Jan 24	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6656.08	6660.69	6696.48	6883.90 (21/1/97)	5032.94 (10/1/96)	6883.90 (21/1/97)	41.22 (8/7/32)
Home Bonds	103.38	103.26	103.31	106.89 (14/2/96)	100.99 (15/7/96)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2301.60	2313.62	2332.73	2355.28 (22/1/97)	1882.71 (18/1/96)	2355.28 (22/1/97)	13.23 (8/7/32)
Utilities	234.70	235.81	237.63	248.85 (22/1/97)	204.86 (30/7/96)	258.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6823.48 (6748.82) Low 6612.20 (6598.73) (Theoretical♦)
Day's high 6781.14 (6708.80) Low 6622.98 (6635.68) (Actual♦)

Standard and Poors	Jan 28	Jan 27	Jan 24	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	765.02	765.02	770.52	786.23 (22/1/97)	598.48 (10/1/96)	786.23 (22/1/97)	4.40 (1/6/32)
Industrials	898.17	898.16	904.61	922.76 (22/1/97)	702.07 (15/1/96)	922.76 (22/1/97)	3.52 (30/6/32)
Financial	85.14	85.05	85.68	87.73 (22/1/97)	58.67 (10/1/96)	87.73 (22/1/97)	7.13 (4/9/74)
NYSE Comp.	402.86	402.78	405.51	412.80 (22/1/97)	321.41 (10/1/96)	412.80 (22/1/97)	4.64 (25/4/42)
Amex Comp.	588.07	586.16	588.16	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1354.37	1352.81	1363.83	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

RATIOS

	Jan 24	Jan 17	Jan 10	Year ago
Dow Jones Ind. Div. Yield	1.89	1.95	1.98	2.24
	Jan 22	Jan 15	Jan 8	Year ago
S & P Ind. Div. yield	1.74	1.78	1.83	1.95
S & P Ind. P/E ratio	24.40	23.84	23.28	18.96

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
ITT Corp	9,808,800	58¾	+14⅛
IBM	8,491,500	150¼	+5⅝
Pepsico	6,357,100	34½	+⅜
Micron Tech	5,016,800	32¾	-⅝
Hilton Hds	4,850,000	27⅞	+2⅞
Unicom	3,789,900	25¼	-⅛
Fannie Mae	3,773,400	38¾	+1⅛
Wal-Mart	3,459,300	23	+⅛
Coca Cola	3,438,800	55⅞	-⅜
AT & T	3,359,600	38¾	-¼

TRADING ACTIVITY

● Volume (million)	Jan 28	Jan 27	Jan 24
New York SE	531.034	446.837	546.936
Amex	22.409	18.867	21.099
NASDAQ	679.294	552.943	739.147
NYSE			
Issues Traded	3,303	3,306	3,313
Rises	1,409	839	837
Falls	1,032	1,660	1,711
Unchanged	862	807	765
New Highs	93	63	62
New Lows	23	23	29

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	770.80	771.30	-0.20	774.50	767.50	82,482	181,702
Jun	778.00	779.10	+0.50	779.10	778.00	1,198	9,868

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Mar	17970.0	18370.0	+580.0	18390.0	17670.0	27,378	214,676
Jun	17720.0	18350.0	+630.0	18350.0	17720.0	2,895	36,891

Open interest figures for previous day.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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TOKYO - MOST ACTIVE STOCKS: Wednesday, January 29, 1997

	Stocks Traded	Closing Prices	Change on day
Kyotaru	23.7m	26	-14
NKK Corp	11.8m	243	+12
Fujitsu	10.4m	1240	+20
Toyota Motor	7.8m	3230	+20
Nippon Steel Cp	7.3m	299	+7
Canon	7.2m	2630	+60
Sumitomo Mtl Ind	6.3m	260	+4
Fuji Heavy Inds	6.0m	483	+27
NEC Corp	5.4m	1430	+10
Sony Corp	5.3m	8250	+260

NEW YORK STOCK EXCHANGE PRICES

4 pm close January 29

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE PRICES

4 pm close January 29

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close January 29

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ACC Corp		264	1203	33¼	31½	31¾	-1⅛
Acclaim E			1492	5⅞	5	5¼	-1/16
Acxiom Cp		40	1280	17⅝	16⅞	17⅝	+⅝
Adaptech		51	24888	42⅛	40¼	42⅛	+1
ADC Tele		51	8176	35¼	33½	34¾	-¼
Addington		55	148	0	d0	27⅛	
AdeccoADR	0.16	31	2	35½	35½	35½	
Adobe Sys x	0.20	36	7779	36⅞	35¼	36⅛	-⅜
Adv Logic		11	675	11¼	10¾	10¾	-¼
Adv Polym			273	8⅛	7⅞	8⅛	+¼
AdvTchLab			650	34	32¾	33¼	
Advanta B	0.53	11	8340	45⅞	44¾	44⅞	-1
Advanta A	0.44	12	6404	47¾	46⅜	46¾	-1
AirExpr	0.24	17	341	30½	29¾	30 1/16	-11/16
Alkm ADR	1.72	13	253	65⅞	65⅜	65⅜	
AlexBld	0.88	17	377	25¼	25	25	-15/16
AllCom	0.64	20	300	16¾	16¼	16⅝	-⅛
Allen Org	0.52	13	2100	39½	39½	39½	
Alan Ph			986	13	12⅝	12⅝	-½
AlldCapll x	1.64	18	137	20	19½	20	
Alld Cap x	1.24	8	14	15¾	15¾	15¾	-⅛
Altema C		5	2	3	3	3	-1/16
Alta Gold		24	490	3 13/32	3⅝	3 13/32	
Digl Ind		12	541	8⅞	8⅝	8 11/16	+1/16
Dig Micro		74	2607	34½	33¾	34⅛	+⅛
Dig Sound			2150	1 13/32	1 5/16	1⅜	-1/16
Dig Syst		22	626	0	d0	11⅝	+1
Dionex Cp		20	70	41¾	40½	40⅝	+⅛
Dixie Yrn			374	7⅛	7	7	-⅛
Dollar Gn	0.25	25	728	30	29¾	30	+⅛
Dorch Hin	0.68	27	87	u17¼	16½	16⅞	-⅛
DracoEngy		25	314	39⅜	38½	38¾	-½
DressBarn		17	3412	u17	15⅝	16⅛	+¼
Drey GD	0.24		22	30	29½	30	+¼
Drug Emp		32	76	5¼	5⅛	5 3/16	-1/16
DS Bancor x	0.24	15	124	42¾	42⅜	42¾	
Durlron	0.52	17	130	26⅞	25⅜	26½	-⅜
Dynatech		32	x0	0	d0	39⅞	-2⅛
Eagle Fd			444	4⅛	3⅞	4	
EastEnvmt			560	u10½	10¼	10½	
ECI Tel	0.20	17	2622	23½	22⅞	23	+⅛
Eggbead			1925	5 11/16	5½	5 11/16	+1/16
Labone	0.72	17	202				
Ladd Furn			66				
Lam Rech		12	12925				
Lancaster	0.72	16	1220				
Lance x	0.96		153				
Lanoptics			147				
Laser Ind		9	164				
Laserscpe			876				
Lattice S		25	7294				
Lawson Pr	0.52	13	26				
Lechters		41	68				
Life Tech	0.16	21	38				
Lifeline		28	112				
LindsayMf	0.20	19	293				
LinearTec x	0.20	26	12319				
LiquiBox	0.52	14	29				
LneStrStk		17	6183				
Lone Star		16	628				
LTX Cp		12	2136				
LVMH	0.84	27	82				

Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
29 18½ Zurn Ind	0.40	1.7	14	191	24¼	24	24	-½
11⅜ 10½ Zweig Fund	1.12	10.0		316	10⅞	10¾	11¼	
9 8 Zweig Totl	0.84	10.2		380	8⅞	8¼	8¼	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
#. Dealings suspended.

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AMEX PRICES

4 pm close January 29

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NVR		7	91	13	12¾	13	+½
Pegasus G		77	579	7⅞	7 13/16	7¾	
Pertol		7	78	8¼	8⅛	8¼	

Dow gains on flow of solid earnings

AMERICAS

US shares were modestly higher at midsession as a number of large companies reported earnings in line with, or slightly ahead of, analysts' estimates, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was 35.01 higher at 6,691.09 while the Standard & Poor's 500 rose by 3.98 to 769.00. NYSE volume was 272m shares.

Bonds were mostly flat, the yield on the benchmark 30-year Treasury hovering at just over 6.9 per cent.

Technology shares were mixed with the Nasdaq composite, which is weighted toward that sector, up 1.23 at 1,355.60 and the Pacific Stock Exchange technology index, which includes both Nasdaq and NYSE companies, adding 0.5 per cent.

Several components of the Dow reported earnings. Both Philip Morris and DuPont came within pennies of analysts' estimates, with Philip Morris slightly ahead of forecasts and DuPont modestly lower. Still, shares in both companies gained. Philip Morris was $\$\frac{7}{8}$ stronger at $\$115\frac{3}{4}$ and DuPont added \$2 at $\$106\frac{5}{8}$.

Bethlehem Steel, another component of the Dow, reported operating earnings of 12 cents per share, but it made a loss after an restructuring charge. Shares in the company added $\$\frac{1}{8}$ at $\$8\frac{5}{8}$.

Ford also reported earnings early yesterday. Shares in the car maker, which had jumped in the early part of this month, fell $\$\frac{1}{4}$ to $\$32\frac{1}{4}$

Dow Jones, the publishing and market data concern, jumped $\$2\frac{5}{8}$ to $\$37\frac{5}{8}$ on news that Mr Michael Price, a well-known shareholder activist, had taken a stake of 4.6 per cent in the company.

IBM added $\$3\frac{3}{4}$ at $\$154\frac{1}{2}$ in the wake of its announcement late on Tuesday that is would undertake a two-for-one stock split later this year.

Calgene climbed $\$1\frac{13}{32}$ or 32 per cent to $\$7\frac{5}{32}$ on news that Monsanto had offered to buy 45.4 per cent of the company it does not already own for $\$7\frac{1}{4}$ per share.

TORONTO made a steady start, moving modestly higher during a morning session marked by subdued trading. The Canadian market was more circumspect than Wall Street, with share price declines running ahead of gains by a ratio of 4 to 3. At noon, the 300 composite index was up 6.08 at 6,052.79.

Part of the problem was a bad start for gold shares on the back of dull bullion. Barrick Gold retreated 20 cents to C\$36.65. The mining index, excluding golds, gained 0.5 per cent and communications and media put on 0.4 per cent.

Alcan Aluminium advanced 65 cents to C\$46.75 and Newbridge Networks added 35 cents to C\$44.15. Royal Bank of Canada shed 10 cents to C\$49.85.

MEXICO CITY moved sharply lower from the opening bell with dealers blaming a surprise fall for money market rates. At midsession, the IPC index was off 35.56 at 3,641.2.

CARACAS ran into profit-taking after Tuesday's strong gains when hopes for an early cut in interest rates ran round the market. At midsession, the IBC index was 57.34 lower at 6,320.92.

Jo'burg falls sharply as rally fizzles out

A two-day rally for Johannesburg fizzled out yesterday with all indices moving sharply lower as bullion slipped and the rand continued to edge ahead in the foreign exchanges.

The all-share index closed off 48.5 at 6,687.5. Industrials tumbled 58.0 to 8,011.0 and golds fell 43.8 or 3.5 per cent to 1,385.3.

Bullion's volatile ride continued to weigh heavily on sentiment. Up 5 per cent on Tuesday, it fell back by 3 per cent in Johannesburg trading hours yesterday.

Freegold ended off R1.40 at R32.70 and Western Areas shed R2.25 to R54.00. Kloof lost R1.25 to R33.50 and Gold Fields closed R3.75 lower at R106.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: January 24 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '96	Local currency terms: January 24 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '96
Latin America	(250)	579.25	-1.7	+7.7			
Argentina	(31)	976.98	-3.0	+2.8	599,212.16	-3.0	+2.8
Brazil	(68)	430.72	-0.5	+8.7	1,681.76	-0.5	+9.1
Chile	(45)	670.79	-2.1	+8.2	1,131.54	-3.3	+7.3
Colombia[1]	(14)	699.40	-7.8	+10.5	1,278.68	-6.8	+13.3
Mexico	(64)	577.90	-1.6	+9.1	1,948.47	-1.7	+8.4
Peru[2]	(19)	210.27	-1.0	+6.9	337.73	-0.6	+8.1
Venezuela[3]	(9)	697.76	-2.6	-4.2	7,611.36	-3.0	-4.5
Asia	(711)	262.13	+0.6	+3.7			
China[4]	(27)	72.70	-2.3	-1.4	76.12	-2.3	-1.4
South Korea[5]	(156)	80.10	-5.2	+3.7	90.00	-4.4	+4.8
Philippines	(42)	303.32	+0.7	+3.3	385.93	+0.8	+3.5
Taiwan, China[6]	(90)	159.17	+0.2	+3.9	164.08	+0.4	+3.7
India[7]	(79)	86.81	-0.3	+10.2	110.50	-0.3	+10.3
Indonesia[8]	(49)	134.49	+0.8	+5.4	173.47	+0.9	+5.9
Malaysia	(148)	346.30	+1.2	+2.9	318.24	+1.5	+1.4
Pakistan[9]	(28)	217.83	-0.2	+11.3	397.94	-0.2	+11.3
Sri Lanka[10]	(5)	100.78	+3.3	+6.0	126.44	+4.2	+7.4
Thailand	(87)	228.40	+2.1	+3.2	233.95	+2.6	+3.8
Euro/Mid East	(264)	147.88	+3.1	+10.1			
Czech Rep	(7)	70.56	-1.1	+0.6	+65.06	-0.2	+2.4
Greece	(54)	273.44	-0.4	+12.8	473.17	+1.4	+16.8
Hungary[11]	(12)	244.67	+6.6	+24.4	495.71	+7.6	+29.5
Jordan	(7)	186.62	-0.3	-0.0	278.82	-0.3	-0.0
Poland[12]	(30)	814.77	+1.7	+11.3	1,532.42	+4.5	+16.2
Portugal	(28)	158.78	-0.2	+8.7	177.76	+1.5	+14.0
South Africa[13]	(63)	212.86	-1.2	+2.0	202.72	-2.0	+0.6
Turkey[14]	(58)	225.16	+28.5	+51.4	12,198.54	+30.4	+60.0
Zimbabwe[15]	(5)	549.82	-4.5	+16.1	882.39	-4.3	+16.9
Composite	(1225)	313.67	+0.3	+6.3			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991, (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10 Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

A resurgence of rumours about finance companies in trouble, combined with nervousness ahead of today's raft of economic data, sent the Bangkok stock market scuttling for the exits yesterday. The leading SET index fell more than 3 per cent to 814.39 in fairly solid two-way trading, within 14 points of what brokers saw as a firm resistance level, *writes Jeffrey Brown.*

"The Thai economy is slowing and there are all sorts of imponderables over direction and the government's ability to handle the downturn. But, equally, there is no shortage of value in share prices at these levels," said one broker.

Having fallen steeply since October's general election, the SET is now 600 points or 42 per cent adrift of last February's peaks and holding just above this month's low point of 787.

Most forecasts for 1996 economic growth point to 7 per cent, down from the 8.5 per cent of recent years. The global slowdown has hit electronics, which account for more than a quarter of Thai exports, and competitive inroads into the important shoe and clothing markets have been made by rival Asian countries.

"Today's trade account data is a sentiment thing. It will confirm the slowdown but add little that is really new. Once the broad numbers are out of the way investors could attempt a refocusing," said an analyst.

Country specialists point to value within bank stocks. Worries about bad debt provisions will take time to work out of the system. But some banks now sell at little more than book value, whereas in a bull market that ratio rises to between two and three times.

Wary bourses unwilling to bounce

EUROPE

Once bitten, twice shy. Having responded on Tuesday to encouraging US data which lost its magic in the New York afternoon, bourses were much less willing to bounce yesterday on lower than expected US durable goods orders for December: falls of 1 to 2 per cent were commonplace.

FRANKFURT saw German bunds rise, and recede after the US figures; this did nothing for a vulnerable banking sector, and a weakening dollar made its impact on cyclicals. The Dax index closed 30.32 lower at 2,997.95, turnover easing from DM10.4bn to DM10.3bn.

Profit-taking carried on in banks where the big three, Deutsche, Dresdner and Commerzbank, led the sector down with falls of DM2.20 to DM82.45, DM1.57 to DM51.48 and 87 pfg to DM42 respectively – a 3 per cent fall in Dresdner's case.

Among "dollar" stocks, the worst hit were SAP preferred, off DM11.20 or 4.8 per cent at DM220. Yesterday delivered excellent results from the software group's Dutch competitor, Baan, but analysts were afraid that SAP might produce a nasty surprise with its own results tomorrow.

PARIS fell back but ended with the CAC 40 index significantly above 2,445.48, its worst of the day. It closed at 2,465.01, down 17.75.

Bouygues shot forward after better-than-expected final results and upbeat prospects. The shares, nervous lately in anticipation of bad news, jumped FFr20 or 3.8 per cent to FFr548.

Canal Plus was the day's CAC laggard, hit by unflattering press comment and sliding FFr59 or 4.8 per cent to FFr1,174.

The results from Total fell short of broker expectations and the stock dipped FFr2.60 to FFr471.50. Elf Aquitaine lost FFr14 to FFr527.

Pinault-Printemps eased FFr58 to FFr2,350 after dull 1996 sales. There was said to be some switching into Danone, a rival retailer, which added FFr11 to FFr822 ahead of full results which were released after market hours.

AMSTERDAM moved lower in hesitant trading with something of a sell-off among the heavyweight internationals pushing the AEX index down by 10.55 to 672.63.

Philips led the way down, sliding Fl 2.00 or 2.7 per cent to Fl 72.70. Aegon retreated Fl 2.00 to Fl 117.10 following a move from "buy" to "hold" at CS First Boston, and Stad Rotterdam dipped 30 cents to Fl 74.10 in spite of a forecast of strong earnings growth for 1996.

BolsWessanen gained 10 cents to Fl 34.10 in reaction to news of the start-up of its operations in Thailand plus continued takeover talk.

Baan, the software group which had come up from Fl 32.50 over the previous 12 months, fell back Fl 1.50 to Fl 80 after turning in record final quarter profits.

ZURICH had a better day than most, the SMI index falling only 10.04 or 0.4 per cent to 2,666.63 as traders here decided that a mild correction would fit the bill.

Sulzer rose as the market, once again, speculated that the engineer might simplify its capital structure, the registered shares rising SFr25 to SFr960.

After hours, the company said that it regularly considered such a move but that, at present, nothing concrete was planned.

STOCKHOLM took profits, especially in banks and forestries where the sector indices fell by 1.6 and 1.5 per cent respectively, and the Affärsvärlden General index shed 35.4 at 2,529.6.

In the forestry sector, Stora dropped SKr2 to SKr93.50 after reporting that its pre-tax profits slid from over SKr8bn to SKr2.3bn in 1996. In banks, S-E-Banken fell SKr2 to SKr72 following speculative gains on sector restructuring prospects.

The broad market, however, was also influenced by Ericsson, which was compared unfavourably with Nokia of Finland in a broker's report, and which fell SKr7.50 or 3.1 per cent to SKr233.

HELSINKI saw initial gains in Nokia A on news of a FM350m Chinese GSM expansion order and on reports that the Nordic broker, Aros, reckoned it a better bet than Ericsson. However, the Finnish telecoms group lost ground later, falling FM8.50 to FM304.50 as the Hex index shed 38.95 at 2,697.03.

MILAN had a slow day. Most investors focused on Olivetti which was due to hold a board meeting to to discuss its 1996 results. The electronics group eased back L5.90 to L646 in what brokers described as heavy volume. Fiat came off L94 to L5,210. The Comit index ended 3.90 lower at 770.82.

BRUSSELS fared a little better than the average, the Bel-20 index coming out 18.77 or 0.9 per cent lower at 2,031.67. One reason was Petrofina, the oil and gas group, which produced a 38 per cent rise in 1996 earnings and bucked the broad market trend with a rise of BFr175 or 1.5 per cent to BFr11,525.

MADRID, in contrast, featured flat earnings from the Spanish oil major, Repsol, which had fallen against the trend on Tuesday, and lost another Pta110 at Pta5,670.

The general index fell 5.47 or 1.2 per cent to 461.00. In parallel, Spanish bonds fell by almost a full point, tracking a weaker peseta. Turnover on the equity market fell from from Pta92.8bn to Pta73.10bn.

TEL AVIV had an agenda of its own, and demonstrated it with the Mishtanim index up 3.61 or 1.5 per cent at 240.87. Brokers noted that the equity market was influenced by today's triple witching, or options expiry.

However, they also said the market had been having a strong month, with more foreign investors coming into Israeli equities since Israel pulled troops out of the West Bank city of Hebron earlier this month.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Jan 29 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2038.86	2037.91	2037.03	2037.41	2035.47	2031.72	2032.92	2033.21
FTSE Eurotrack 200	2078.72	2074.26	2073.77	2073.75	2071.24	2067.63	2069.25	2068.75

	Jan 28	Jan 27	Jan 24	Jan 23	Jan 22
FTSE Eurotrack 100	2042.46	2037.64	2038.12	2052.99	2047.54
FTSE Eurotrack 200	2078.89	2070.13	2076.54	2093.05	2083.27

Base value 1000 (26/10/90); High/day: 100 - 2038.46; 200 - 2078.74 Low/day: 100 - 2030.46 200 - 2066.86. † Partial.

Yen's decline lifts Japanese exporters

ASIA PACIFIC

The yen fell to a four-year low against the dollar but **TOKYO**, after fluctuating throughout the morning, ended with a sharp advance as the currency situation generated strong demand for export-oriented blue chips such as Sony and Fujitsu, *writes Gwen Robinson.*

The Nikkei 225 average climbed 538.73 or 3 per cent to close at the day's high of 18,335.30, after dropping to 17,664.50 earlier in the day. Traders noted active buying by domestic pension funds. Banks that were sold heavily in the morning session were bought back in the afternoon.

Foreign investors came back on the buy side to chase blue chips, allaying concerns that the falling yen had driven them out of the market for yen-denominated equities. Volume swelled from 397m shares to an estimated 445m.

Advances led declines by 738 to 363 with 135 unchanged. The Topix index of all first-section stocks rose 20.56 to 1,366.44 and the capital-weighted Nikkei 300 by 4.73 to 259.79.

In London, the ISE/Nikkei 50 index rose 4.08 to 1,371.21.

Blue chip demand drove electricals and high-tech issues. Sony added Y260 to Y8,250 and Fujitsu firmed Y20 to Y1,240. TDK climbed Y320 to Y7,720 and Canon added Y60 to close at Y2,630 after reaching an all-time high of Y2,650 earlier in the day. Advantest led other semiconductor-related issues, adding Y140 to Y6,580 after rewriting its one-year high to Y6,610 in intra-day trading.

Bargain hunters drove up property developers by more than 5 per cent. Mitsui Fudosan added Y70 to Y1,270 and Mitsubishi Estate gained Y70 to Y1,350.

NKK, the steelmaker, drew buying interest on reports that it is planning to increase output by reopening an idle blast furnace in western Japan. The stock rose Y12 to Y243.

Banks bounced back after heavy selling in the morning. Bank of Tokyo-Mitsubishi added Y60 to Y1,760 and Sumitomo Bank rose Y40 to Y1,310. The weak yen, however, worked against electric power companies, which fell by more than 2.6 per cent as a group on concerns about higher costs for imported energy sources. Tokyo Electric Power fell Y60 to Y2,320 and Tohoku Electric Power by Y80 to Y2,040.

In Osaka, the OSE average added 292.16 to 18,954.31 in volume of 76m shares.

BOMBAY saw a flurry of speculator-driven sell orders in pivotal stocks and the BSE 100 index dropped 78.36 or 2.2 per cent to 3,525.84 after a near 5 per cent rally in the previous two days. Some professionals put this down to profit-taking, others that traders were trying to operate a bear trap.

Earlier gains had reflected mounting optimism about market policy initiatives promised by the Indian prime minister, Mr HD Deve Gowda. However, the government said yesterday that it would try to move the economy on a broad front.

KUALA LUMPUR finished 1.3 per cent weaker, as profit-taking pushed the KLSE composite index down 16.34 points to 1,212.55. The slide was led by a 6.5 per cent fall in power group, Tenaga, 80 cents lower at M\$11.60 on lingering concerns it might lose its electricity distribution monopoly.

HONG KONG property stocks took a tumble, with Cheung Kong losing HK\$2.50 to HK\$72.25, Henderson Land HK\$2.25 to HK\$72.50 and Sun Hung Kai HK\$2.00 to HK\$88.75.

The market was worried about interest rates and, on Tuesday, the Hong Kong Monetary Authority recommended that the maximum loan to value ratio for properties worth more than HK\$12m should be reduced from 70 to 60 per cent.

The Hang Seng index fell 117.86 to 13,285.43, as turnover rose from HK\$8.64bn to HK\$11.89bn.

MANILA closed just 2.33 below the 3,375.94 all-time high which it surpassed momentarily in late trade. The composite index rose 31.62 to 3,373.61.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUE JAN 28 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MON JAN 27 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (77)	213.21	-0.9	196.33	163.27	183.01	184.43	-0.7	4.14	215.26	196.59	162.40	183.26	185.67	224.61	188.44	191.02
Austria (24)	181.43	-1.1	167.07	138.94	155.74	155.64	-0.3	1.84	183.44	167.53	138.39	156.16	156.08	195.04	174.70	184.31
Belgium (26)	228.57	-0.7	210.48	175.04	196.20	192.02	0.3	3.36	230.06	210.11	173.56	195.87	191.51	233.47	203.64	206.09
Brazil (28)	208.72	1.0	192.20	159.84	179.16	401.32	1.1	1.51	206.63	188.71	155.89	175.92	396.96	211.61	147.48	155.50
Canada (114)	198.02	0.6	182.34	151.64	169.97	192.02	0.1	1.90	196.90	179.83	148.55	167.64	191.81	201.62	152.87	152.87
Denmark (32)	349.18	-0.5	321.54	267.41	299.73	299.20	0.3	1.46	351.06	320.61	264.85	298.88	298.17	365.15	291.30	298.46
Finland (26)	255.35	0.0	235.13	195.54	219.18	262.18	0.8	1.90	255.39	233.24	192.67	217.43	260.02	262.72	174.47	175.80
France (92)	214.15	0.8	197.20	164.00	183.83	187.11	1.7	2.61	212.48	194.05	160.30	180.90	184.01	215.68	181.01	181.01
Germany (59)	184.23	-1.0	169.65	141.09	158.14	158.14	-0.2	1.57	186.11	163.97	140.41	158.45	158.45	191.17	164.47	168.32
Hong Kong (59)	498.11	0.8	458.68	381.46	427.57	495.12	0.8	3.13	494.09	451.24	372.75	420.65	491.05	514.49	402.53	431.84
Indonesia (27)	247.99	0.4	228.35	189.91	212.87	360.86	0.4	1.48	247.08	225.65	186.40	210.35	359.50	-	-	-
Ireland (16)	316.20	-0.4	291.16	242.14	271.42	280.42	0.3	3.27	317.57	290.02	239.58	270.37	279.58	333.22	254.35	255.19
Italy (58)	94.31	-0.4	86.84	72.22	80.95	113.88	1.0	1.83	94.68	86.47	71.43	80.61	112.78	96.32	70.61	74.66
Japan (480)	112.29	0.1	103.40	85.99	96.39	85.99	1.6	0.90	112.21	102.48	84.66	95.53	84.66	164.68	112.21	151.22
Malaysia (107)	624.96	-0.5	575.48	478.60	536.46	600.17	-0.3	1.03	627.90	573.44	473.71	534.57	601.96	628.00	504.22	511.42
Mexico (27)	1338.24	0.0	1232.30	1024.83	1148.73	11436.84	-0.2	0.96	1338.48	1222.39	1009.78	1139.54	11458.36	1364.02	1046.55	1203.04
Netherland (19)	329.80	-0.5	303.69	252.56	283.09	279.28	0.4	2.65	331.33	302.59	249.96	282.08	278.17	336.15	272.32	272.57
New Zealand (14)	90.82	-0.8	83.63	69.55	77.95	70.05	-0.7	3.98	91.59	83.65	69.10	77.98	70.57	95.60	75.94	77.61
Norway (41)	311.70	0.1	287.02	238.70	267.55	276.92	0.9	1.82	311.48	284.46	234.99	265.18	274.52	318.25	224.41	225.67
Philippines (22)	209.52	1.1	192.93	160.45	179.85	275.02	1.1	0.62	207.18	189.21	156.30	176.39	271.96	-	-	-
Singapore (43)	427.71	-0.6	393.85	327.54	367.14	277.93	-0.4	0.99	430.27	392.95	324.61	366.32	279.16	465.21	371.28	443.93
South Africa (44)	328.37	1.1	302.37	251.46	281.87	328.03	0.9	2.47	324.86	296.68	245.08	276.57	325.02	437.76	301.49	435.93
Spain (35)	215.49	0.8	198.43	165.02	184.97	227.32	1.8	2.75	213.85	195.30	161.33	182.06	223.30	228.16	161.62	162.82
Sweden (50)	421.55	0.3	388.16	322.82	361.85	455.70	1.1	1.95	420.30	383.85	317.09	357.83	450.90	432.49	295.31	295.76
Switzerland (35)	239.10	0.4	220.17	183.10	205.24	211.90	1.4	1.37	238.16	217.51	179.68	202.77	208.87	254.34	219.29	219.77
Thailand (45)	101.29	0.1	93.28	77.57	86.95	101.69	0.4	3.37	101.15	92.38	76.31	86.11	101.32	133.95	91.23	185.62
United Kingdom (211)	273.78	-0.3	252.11	209.67	235.01	252.11	0.5	3.77	274.71	250.89	207.25	233.88	250.89	283.17	224.39	225.82
USA (654)	311.92	0.0	287.23	238.87	267.75	311.92	0.0	1.89	311.83	284.78	235.25	265.48	311.83	320.60	253.30	253.30
Americas (823)	285.86	0.1	263.23	218.91	245.38	240.27	0.0	1.88	285.67	260.90	215.52	243.21	240.17	293.36	231.50	231.50
Europe (726)	236.75	-0.2	218.00	181.30	203.22	215.42	0.7	2.70	237.15	216.58	178.91	201.90	213.88	242.22	198.39	198.39
Nordic (151)	366.36	0.1	337.36	280.56	314.48	342.34	0.9	1.85	365.99	334.25	276.11	311.59	339.28	375.85	265.96	266.11
Pacific Basin (874)	133.98	0.0	123.38	102.60	115.01	102.06	1.2	1.40	133.94	122.33	101.05	114.03	100.90	177.01	133.94	163.90
Euro-Pacific (1600)	176.79	-0.1	162.79	135.39	151.75	144.87	0.9	2.13	176.94	161.59	133.48	150.64	143.55	191.51	176.40	178.16
North America (768)	305.13	0.1	280.97	233.67	261.92	304.05	0.0	1.83	304.96	278.51	230.07	259.63	303.94	313.26	247.07	247.07
Europe Ex. UK (515)	211.73	-0.1	194.96	162.14	181.74	191.63	0.9	2.09	211.88	193.50	159.85	180.39	190.00	215.56	179.04	179.04
Pacific Ex. Japan (394)	313.71	-0.1	288.86	240.24	269.29	272.86	0.1	2.72	313.94	286.71	236.84	267.28	272.69	320.65	268.97	281.77
World Ex. US (1813)	180.29	0.0	166.01	138.06	154.75	150.89	0.9	2.11	180.32	164.63	136.04	153.52	149.39	193.47	177.71	180.09
World Ex. UK (2256)	217.28	0.0	200.07	166.39	186.51	191.53	0.5	1.81	217.19	198.35	163.85	184.91	190.63	224.89	199.58	200.17
World Ex. Japan (1987)	278.20	0.0	256.18	213.05	238.80	267.01	0.3	2.21	278.23	254.10	209.90	236.87	266.28	283.89	231.09	231.09
The World Index (2467)	222.10	0.0	204.52	170.09	190.65	197.01	0.5	2.01	222.10	202.83	167.56	189.09	196.08	228.97	202.32	202.46

Latest prices were unavailable for this edition.